

OFFICIAL STATEMENT DATED JANUARY 18, 2024

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 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 ARE NOT DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

NEW ISSUE-Book-Entry Only

Insured Ratings (AGM): S&P "AA (stable outlook)
 Moody's "A1" (stable outlook)
 Underlying Rating: Moody's "Baa2"
 See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE" herein.

\$2,000,000

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 162
 (A political subdivision of the State of Texas located within Fort Bend County)
 UNLIMITED TAX PARK BONDS
 SERIES 2024**

The bonds described above (the "Bonds") are obligations solely of Fort Bend County Municipal Utility District No. 162 (the "District") and are not obligations of the State of Texas, Fort Bend County, the City of Rosenberg, or any entity other than the District.

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

Dated Date: February 1, 2024

Due: September 1, as shown below

Interest Accrual Date: Date of Delivery

Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar"), upon surrender of the Bonds for payment. Interest on the Bonds accrues from the initial date of delivery (expected on or about February 21, 2024) (the "Date of Delivery"), and is payable each September 1 and March 1, commencing September 1, 2024, until maturity or prior redemption. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity, as shown below.

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



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

MATURITY SCHEDULE

Principal Amount	Maturity (September 1)	CUSIP Number(b)	Interest Rate	Initial Reoffering Yield(c)	Principal Amount	Maturity (September 1)	CUSIP Number(b)	Interest Rate	Initial Reoffering Yield(c)
\$ 85,000	2025	34682U ME4	5.25 %	3.30 %	\$ 85,000	2028	34682U MH7	5.50 %	3.20 %
85,000	2026	34682U MF1	5.50	3.20	85,000	2029	34682U MJ3	5.50	3.20
85,000	2027	34682U MG9	5.50	3.20					
\$255,000	Term Bonds due September 1, 2032 (a), 34682U MM6 (b), 3.25% Interest Rate, 3.50% Yield (c)								
\$170,000	Term Bonds due September 1, 2034 (a), 34682U MP9 (b), 3.25% Interest Rate, 3.60% Yield (c)								
\$340,000	Term Bonds due September 1, 2038 (a), 34682U MT1 (b), 3.75% Interest Rate, 4.00% Yield (c)								
\$170,000	Term Bonds due September 1, 2040 (a), 34682U MV6 (b), 4.00% Interest Rate, 4.05% Yield (c)								
\$160,000	Term Bonds due September 1, 2042 (a), 34682U MX2 (b), 4.00% Interest Rate, 4.10% Yield (c)								
\$160,000	Term Bonds due September 1, 2044 (a), 34682U MZ7 (b), 4.00% Interest Rate, 4.17% Yield (c)								
\$160,000	Term Bonds due September 1, 2046 (a), 34682U NB9 (b), 4.00% Interest Rate, 4.24% Yield (c)								
\$160,000	Term Bonds due September 1, 2048 (a), 34682U ND5 (b), 4.00% Interest Rate, 4.29% Yield (c)								

- (a) Bonds maturing on or after September 1, 2031, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time in part, on September 1, 2030, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent Interest Payment Date (as herein defined) to the date fixed for redemption. The Term Bonds (as defined herein) are also subject to mandatory sinking fund redemption as more fully described herein. See "THE BONDS—Redemption Provisions."
- (b) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (c) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Underwriter (as herein defined) for offers to the public and which subsequently may be changed.

The Bonds are offered by the Underwriter subject to prior sale, when, as and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. See "LEGAL MATTERS." Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about February 21, 2024.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, 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 Allen Boone Humphries Robinson LLP, Bond Counsel, 3200 Southwest Freeway, Suite 2600, Houston, Texas, 77027, for further information.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this OFFICIAL STATEMENT for purposes of, and as that term is defined in, SEC Rule 15c2-12, as amended.

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

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by SAMCO Capital Markets, Inc. (the "Underwriter") bearing the interest rates shown on the cover page hereof, at a price of 97.0014% of the par value thereof which resulted in a net effective interest rate of 4.170511%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended (the IBA method).

Prices and Marketability

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Underwriter may over allot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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

Securities Laws

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

OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT

Description...

The District is a political subdivision of the State of Texas, created by order of the Texas Commission on Environmental Quality (“TCEQ”) on August 31, 2005, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District originally contained approximately 305 acres and, since its creation has annexed approximately 770 acres of land, including approximately 56 acres annexed into the District boundaries on December 14, 2023. The District currently contains approximately 1,075 acres of land. See “THE DISTRICT.”

Location...

The District is located approximately 30 miles southwest of the central downtown business district of the City of Houston and two miles southeast of the central business district of the City of Rosenberg (the “City”) on Highway 59. The District lies wholly within the extraterritorial jurisdiction of the City and within the boundaries of the Lamar Consolidated Independent School District. The District is generally located near the intersection of U.S. Highway 59 and Farm-to-Market 2218, between Powerline Road and Koeblen Road. Access to the District is provided by U.S. Highway 59 to Farm-to-Market 2218 to Koeblen Road to Powerline Road. See “THE DISTRICT” and “AERIAL LOCATION MAP.”

The Developers...

The developer of Still Creek Ranch is Arenosa Development Powerline, LTD., a Texas limited partnership (“Arenosa”) whose general partner is Arenosa Development, LLC, a Texas limited liability company. Arenosa has completed the development of Still Creek Ranch, Sections One and Two, consisting of 163 single-family residential lots on approximately 42 acres. Arenosa sold approximately 46 acres to Lennar Homes of Texas Land and Construction, Ltd. (“Lennar Homes”) for the development of single-family residential lots in Still Creek Ranch, Sections Three and Four. Lennar engaged Arenosa as the development manager for such sections and has completed the development of Sections Three and Four, consisting of 162 lots on approximately 46 acres. Lennar does not own any additional developable land in the District for future development. Arenosa continues to own approximately 56 acres of developable but undeveloped land in the District.

The developer of approximately 55 acres of land within the District developed as Highland Meadows is Brookfield Holdings (Rosenberg) LLC, a Texas limited liability company (“Brookfield”). Brookfield has contracted with Starlight Homes Texas, L.L.C., a Delaware limited liability company (“Starlight”) wholly owned by Ashton Woods USA L.L.C., a privately held limited liability company, to develop the land in Highland Meadows on behalf of Brookfield. Brookfield has completed the development of Highland Meadows, Section One and Two, consisting of 154 single-family residential lots on approximately 55 acres and does not own any additional developable land in the District for future development.

The developer of Arabella on the Prairie is Beazer Homes Texas, L.P., a Delaware limited partnership (“Beazer Homes”). Beazer Homes has completed the development of Arabella on the Prairie, Sections One and Two, consisting of 204 single-family residential lots on approximately 76 acres. Arabella on the Prairie, Sections Three and Four, which will consist of 127 single-family residential lots on approximately 42 acres, are currently under construction and expected to be completed in the second quarter of 2024. Upon completion of Sections Three and Four, Beazer Homes will continue to own an additional approximately 74 acres of developable but undeveloped land in the District.

The developer of Windstone on the Prairie is D.R. Horton Texas Ltd., a Texas limited partnership (“D.R. Horton”). D.R. Horton has completed the construction of Windstone on the Prairie, Sections One through Three consisting of 264 single-family residential lots on approximately 94 acres and does not own any additional developable land in the District for future development.

Individuals and/or entities own approximately 17 acres of developable land within the District for future development. The District is not aware of any plans to develop such acreage at this time. See “THE DEVELOPERS—Major Property Owners.”

Arenosa, Lennar Homes, Beazer Homes and D.R. Horton are collectively referred to herein as the “Developers. See “THE DEVELOPERS.”

Status of Development...

The District is being developed as the single-family residential subdivisions of Arabella on the Prairie, Windstone on the Prairie, Sunrise Meadow, Still Creek Ranch and Highland Meadows consisting of 1,920 single-family residential lots constructed on approximately 615 acres. As of November 11, 2023, 1,438 homes were completed (1,411 occupied), 245 homes were under construction or owned by a builder and 237 vacant developed lots were available for home construction. In addition, 127 single-family residential lots are under construction on approximately 42 acres in the District and are expected to be completed in the second quarter of 2024. Lamar Consolidated Independent School District owns approximately 134 acres developed as a high school and junior high school complex and a middle school is under construction with completion expected in August 2024 and approximately 28 acres developed as an elementary school and agricultural school complex. The school complexes, as tax-exempt entities, are not subject to the District’s ad valorem property taxation. Commercial development in the District consists of a gas station constructed on approximately 5 acres. Approximately 147 developable acres have not been provided with water, wastewater and storm drainage facilities, and approximately 104 acres within the District are not developable (public rights-of-way, recreation, detention, open spaces, easements and utility sites). See “THE DISTRICT—Land Use” and “—Status of Development.”

Builders...

Lennar Homes of Texas is actively marketing and constructing homes in Still Creek Ranch. D.R. Horton is actively marketing and constructing homes in Windstone on the Prairie. Beazer Homes and Pulte Homes are actively marketing and constructing homes in Arabella on the Prairie. See “THE DISTRICT—Builders.”

*Park and
Recreational Facilities...*

Park and recreational facilities constructed within the District include an amenity lake, pavilion, basketball court, playground, sidewalks, playing fields and landscaping and monumentation enhancements. A portion of the proceeds from the Bonds will be expended to finance the District’s construction of trail enhancements within the District. See “USE AND DISTRIBUTION OF BOND OF BOND PROCEEDS” and “PARK AND RECREATIONAL FACILITIES.”

Payment Record...

The District has previously issued \$33,130,000 principal amount of unlimited tax bonds in nine series for the purpose of purchasing and constructing water, wastewater and/or storm drainage facilities (“Water, Sewer, and Drainage Facilities”), \$1,325,000 principal amount of unlimited tax bonds in one series for the purpose of purchasing and constructing park and recreational facilities and \$6,190,000 principal amount of unlimited tax refunding bonds in two series for the purpose of refunding outstanding bonds of the District. The District has \$28,860,000 principal amount of bonds outstanding (the “Outstanding Bonds”) as of the date hereof. The District has never defaulted on its debt service obligations. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Debt.”

THE BONDS

Description...

The \$2,000,000 Unlimited Tax Park Bonds, Series 2024 (the “Bonds”) are being issued pursuant to a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the District’s Board of Directors (the “Board”) as fully registered bonds. The Bonds are scheduled to mature serially on September 1 in each of the years 2025 through 2029, both inclusive, and as term bonds maturing on September 1 in each of the years 2032, 2034, 2038, 2040, 2042, 2044, 2046 and 2048 (the “Term Bonds”) and in the principal amounts and accrue interest at the rates shown on the cover page hereof. Interest on the Bonds accrues from the Date of Delivery, and is payable September 1, 2024, and each March 1 and September 1 thereafter, until the earlier of maturity or redemption. The Bonds will be issued in denominations of \$5,000 or integral multiples of \$5,000. See “THE BONDS.”

<i>Book-Entry-Only System...</i>	The Depository Trust Company (defined as “DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds and will be deposited with DTC. See “BOOK-ENTRY-ONLY SYSTEM.”
<i>Redemption...</i>	Bonds maturing on or after September 1, 2031 are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on September 1, 2030, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. The Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS—Redemption Provisions.”
<i>Use of Proceeds...</i>	Proceeds of the Bonds will be used to pay for the items shown herein under “USE AND DISTRIBUTION OF BOND PROCEEDS.” In addition, Bond proceeds will be used to pay administrative costs and certain other costs and engineering fees related to the issuance of the Bonds.
<i>Authority for Issuance...</i>	The Bonds are the second series of bonds issued out of an aggregate of \$5,650,000 principal amount of unlimited tax bonds authorized by the District’s voters in the May 7, 2016 election (the “Election”) for the purpose of purchasing and constructing park and recreational facilities. The Bonds are issued by the District pursuant to an order of the TCEQ, the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, as amended, Chapters 49 and 54 of the Texas Water Code, as amended, the Election and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See “THE BONDS—Authority for Issuance.”
<i>Source of Payment...</i>	Principal of and interest on the Bonds and the Outstanding Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the City of Rosenberg, Fort Bend County, the State of Texas or any entity other than the District. See “THE BONDS—Source of Payment.”
<i>Municipal Bond Rating and Municipal Bond Insurance...</i>	S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) has assigned a municipal bond insured rating of “AA” (stable outlook) and Moody’s Investors Service, Inc. (“Moody’s”) is expected to assign a municipal bond insured rating of “A1” (stable outlook), respectively, to the Bonds with the understanding that, upon issuance and delivery of the Bonds, a municipal bond insurance policy ensuring the timely payment of the principal of and interest on the Bonds will be issued by ASSURED GUARANTY MUNICIPAL CORP. (“AGM” or the “Insurer”). Moody’s has also assigned an underlying rating of “Baa2” to the Bonds. An explanation of the ratings may be obtained from S&P and Moody’s. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance,” “MUNICIPAL BOND RATING,” “MUNICIPAL BOND INSURANCE” and “APPENDIX B.”
<i>Not Qualified Tax-Exempt Obligations...</i>	The Bonds are not designated as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended.
<i>Bond Counsel...</i>	Allen Boone Humphries Robinson LLP, Houston, Texas. See “MANAGEMENT OF THE DISTRICT,” “LEGAL MATTERS” and “TAX MATTERS.”
<i>Financial Advisor...</i>	Masterson Advisors LLC, Houston, Texas. See “MANAGEMENT OF THE DISTRICT.”
<i>Disclosure Counsel...</i>	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
<i>Paying Agent/Registrar...</i>	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See “THE BONDS—Method of Payment of Principal and Interest.”

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2023 Taxable Assessed Valuation	\$314,775,704	(a)
Estimated Taxable Assessed Valuation as of November 1, 2023	\$389,909,593	(b)
Gross Direct Debt Outstanding	\$30,860,000	(c)
Estimated Overlapping Debt	38,548,814	(d)
Gross Direct Debt and Estimated Overlapping Debt	\$69,408,814	(d)
Ratios of Gross Direct Debt to:		
2023 Taxable Assessed Valuation	9.80%	
Estimated Taxable Assessed Valuation as of November 1, 2023	7.91%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2023 Taxable Assessed Valuation	22.05%	
Estimated Taxable Assessed Valuation as of November 1, 2023	17.80%	
Debt Service Funds Available as of January 4, 2024	\$1,499,980	
Operating Funds Available as of January 4, 2024	\$3,587,934	
Water, Sewer and Drainage Capital Projects Funds Available as of January 4, 2024	\$3,567,952	
Park Capital Projects Funds Available as of January 4, 2024	\$18,161	(e)
2023 Debt Service Tax Rate	\$0.795	
2023 Maintenance Tax Rate	0.325	
2023 Total Tax Rate	\$1.120	
Average Annual Debt Service Requirement (2024-2048)	\$1,701,065	(f)
Maximum Annual Debt Service Requirement (2025)	\$2,333,250	(f)
Tax Rates Required to Pay Average Annual Debt Service (2024-2048) at a 95% Collection Rate		
Based upon 2023 Taxable Assessed Valuation	\$0.57	(g)
Based upon Estimated Taxable Assessed Valuation as of November 1, 2023	\$0.46	(g)
Tax Rates Required to Pay Maximum Annual Debt Service (2025) at a 95% Collection Rate		
Based upon 2023 Taxable Assessed Valuation	\$0.79	(g)
Based upon Estimated Taxable Assessed Valuation as of November 1, 2023	\$0.63	(g)
Status of Development as of November 11, 2023 (h):		
Homes Completed (1,411 Occupied)	1,438	
Homes Under Construction or Owned by a Builder	245	
Lots Available for Construction	237	
Lots Under Construction	127	
Estimated Population	4,939	(i)

- (a) The Fort Bend Central Appraisal District (the “Appraisal District”) has certified \$309,578,170 of taxable value and an additional \$5,197,534, which represents 95% of the uncertified value, remains uncertified and subject to review and adjustment prior to certification. The 2023 Taxable Assessed Valuation shown herein is the certified value plus 95% of the uncertified value. See “TAXING PROCEDURES.”
- (b) Provided by the Appraisal District for informational purposes only. Such amount reflects an estimate of the taxable assessed value within the District on November 1, 2023. Increases in value that occur between January 1, 2023 and November 1, 2023 will be assessed for purposes of taxation on January 1, 2024. No tax will be levied on such amount until it is certified. See “TAXING PROCEDURES.”
- (c) Includes the Bonds and the Outstanding Bonds. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Debt.”
- (d) See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt.”
- (e) The District will contribute approximately \$17,477 of surplus Park Capital Projects Funds towards the Bonds. See “THE BONDS—Funds” and “USE AND DISTRIBUTION OF BOND PROCEEDS.”
- (f) See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements.”
- (g) See “TAX DATA—Tax Adequacy for Debt Service” and “INVESTMENT CONSIDERATIONS—Possible Impact on District Tax Rates.”
- (h) See “THE DISTRICT—Land Use” and “—Status of Development.”
- (i) Based upon 3.5 persons per occupied single-family residence.

OFFICIAL STATEMENT

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 162 (A political subdivision of the State of Texas located within Fort Bend County)

\$2,000,000

UNLIMITED TAX PARK BONDS SERIES 2024

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Fort Bend County Municipal Utility District No. 162 (the “District”) of its \$2,000,000 Unlimited Tax Park Bonds, Series 2024 (the “Bonds”).

The Bonds are issued by the District pursuant to an order of the Texas Commission on Environmental Quality (the “TCEQ”), the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, as amended, Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the District, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District, Arenosa Development Powerline, LTD., a Texas limited partnership (“Arenosa”), Lennar Homes of Texas Land and Construction, Ltd. (“Lennar Homes”), Beazer Homes Texas, L.P., a Delaware limited partnership (“Beazer Homes”), D.R. Horton Texas Ltd., a Texas limited partnership (“D.R. Horton”) and development activity in the District. Arenosa, Lennar Homes, Beazer Homes and D.R. Horton are collectively referred to herein as the “Developers.” All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Allen Boone Humphries Robinson LLP, Bond Counsel, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

THE BONDS

Description

The Bonds will be dated February 1, 2024 and accrue interest from the Date of Delivery, with interest payable each September 1 and March 1, beginning September 1, 2024 (each, an “Interest Payment Date”), and will mature on the dates and in the principal amounts and accrue interest at the rates shown on the cover page hereof. The Bonds are issued in fully registered form, in denominations of \$5,000 or any integral multiple of \$5,000. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

Method of Payment of Principal and Interest

In the Bond Resolution, the Board has appointed The Bank of New York Mellon Trust Company, N.A., Dallas, Texas as the initial Paying Agent/Registrar for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America, which, on the date of payment, is legal tender for the payment of debts due the United States of America. In the event the book-entry system is discontinued, principal of the Bonds shall be payable upon presentation and surrender of the Bonds as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Dallas, Texas and interest on each Bond shall be payable by check payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the Registered Owner of record as of the close of business on the February 15 or August 15 immediately preceding each Interest Payment Date (defined herein as the “Record Date”), to the address of such Registered Owner as shown on the Paying Agent/Registrar’s records (the “Register”) or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

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

Source of Payment

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

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

No Arbitrage

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

Funds

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

The remaining proceeds of sale of the Bonds shall be deposited into the Capital Projects Fund, to be used for the purpose of paying for certain construction costs and paying the costs of issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS” for a complete description of the use of Bond proceeds and the projects related thereto.

Redemption Provisions

Mandatory Redemption: The Bonds maturing on September 1 in each of the years 2032, 2034, 2038, 2040, 2042, 2044, 2046 and 2048 (the “Term Bonds”) shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the “Mandatory Redemption Date”), on September 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District’s reserved right of optional redemption, as provided under “Optional Redemption” below):

\$255,000 Term Bonds Due September 1, 2032		\$170,000 Term Bonds Due September 1, 2034		\$340,000 Term Bonds Due September 1, 2038	
Mandatory Redemption Date	Principal Amount	Mandatory Redemption Date	Principal Amount	Mandatory Redemption Date	Principal Amount
2030	\$ 85,000	2033	\$ 85,000	2035	\$ 85,000
2031	85,000	2034 (maturity)	85,000	2036	85,000
2032 (maturity)	85,000			2037	85,000
				2038 (maturity)	85,000

\$170,000 Term Bonds Due September 1, 2040		\$160,000 Term Bonds Due September 1, 2042		\$160,000 Term Bonds Due September 1, 2044	
Mandatory Redemption Date	Principal Amount	Mandatory Redemption Date	Principal Amount	Mandatory Redemption Date	Principal Amount
2039	\$ 85,000	2041	\$ 80,000	2043	\$ 80,000
2040 (maturity)	85,000	2042 (maturity)	80,000	2044 (maturity)	80,000

\$160,000 Term Bonds Due September 1, 2046		\$160,000 Term Bonds Due September 1, 2048	
Mandatory Redemption Date	Principal Amount	Mandatory Redemption Date	Principal Amount
2045	\$ 80,000	2047	\$ 80,000
2046 (maturity)	80,000	2048 (maturity)	80,000

On or before 30 days prior to each Mandatory Redemption Date set forth above, the Paying Agent/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 Paying Agent/Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2031, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000 on September 1, 2030, or any date thereafter, at a price of par value plus unpaid accrued interest on the principal amounts called for redemption from the most recent Interest Payment Date to the date fixed for redemption.

If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed will be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random method (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

If a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in integral multiples of \$5,000. Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a Bond or Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the Register. Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if less than all the Bonds outstanding are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Authority for Issuance

At a bond election held within the District on May 7, 2016 voters of the District authorized the issuance of an aggregate of \$5,650,000 principal amount of unlimited tax bonds for the purpose of purchasing and constructing park and recreational facilities. The Bonds are issued pursuant to such election. See "Issuance of Additional Debt" below. The TCEQ has approved the issuance of the Bonds subject to certain restrictions, including the use of Bond proceeds as summarized in "USE AND DISTRIBUTION OF BOND PROCEEDS."

The Bonds are issued by the District pursuant to an order of the TCEQ, the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, as amended, Chapters 49 and 54 of the Texas Water Code, as amended, the Election and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

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

Registration and Transfer

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Resolution.

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

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

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

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

Lost, Stolen or Destroyed Bonds

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

Registered owners of lost, stolen or destroyed Bonds will be required to pay the District's costs to replace such Bond. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

Replacement of Paying Agent/Registrar

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

Issuance of Additional Debt

The District's voters have authorized the issuance of an aggregate of \$97,735,000 principal amount of unlimited tax bonds for the purpose of constructing and purchasing water, wastewater and/or storm drainage facilities (the "Facilities") and \$16,645,000 principal amount of unlimited tax bonds for refunding such bonds and could authorize additional amounts. The District currently has \$16,345,000 principal amount of unlimited tax bonds for refunding such bonds authorized but unissued and \$64,605,000 principal amount of unlimited tax bonds for Facilities authorized but unissued. See "INVESTMENT CONSIDERATIONS—Future Debt."

The District is authorized by statute to develop park and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District issues park bonds payable from taxes, the following actions are required: (a) approval of the park plan and bonds by the TCEQ; and (b) approval of the bonds by the City and Attorney General of Texas. Further, the principal amount of unlimited tax bonds issued by the District for constructing and/or acquiring park and recreational facilities may not exceed 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. The TCEQ has determined that the District meets these financial feasibility requirements and the outstanding principal debt for recreational facilities including the Bonds is not more than 3% of the District's taxable assessed valuation. At an election held in the District, voters approved \$5,650,000 principal amount of unlimited tax park bonds for the purpose of purchasing or constructing park and recreational facilities. The District has issued \$1,325,000 principal amount of unlimited tax bonds for park and recreational facilities in one series and will have \$2,325,000 principal amount of unlimited tax park bonds authorized but unissued after issuance of the Bonds. See "INVESTMENT CONSIDERATIONS—Future Debt."

The District is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue fire-fighting bonds payable from taxes, the following actions would be required: (a) amendments to existing city ordinances specifying the purposes for which the District may issue bonds; (b) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (c) approval of the master plan and issuance of bonds by the TCEQ; and (d) approval of bonds by the Attorney General of Texas. The Board has not considered calling an election for the issuance of fire-fighting bonds at this time. In 2007, the District's voters approved a contract with the City pursuant to which the City fire department provides fire protection services to certain service areas in the District. The District, by agreement, has committed to a capital contribution and to pay a monthly charge per single-family connection in accordance with such contract. See "THE DISTRICT—Agreements with the City of Rosenberg—Fire Protection Agreement." The District remains obligated to pay the monthly charge. Additional land in the District that is not covered by the Fire Protection Agreement is subject to an additional property tax by Fort Bend County Emergency Services District No. 6, which provides fire protection for those landowners obligated to pay such tax.

Pursuant to Chapter 54 of the Water Code, as amended, a municipal utility district may petition the TCEQ for the power to issue bonds supported by property taxes to finance roads. Before the District could issue such bonds, the District would be required to receive a grant of such power from the TCEQ, authorization from the District's voters to issue such bonds, and approval of the bonds by the Attorney General of Texas.

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.

In 2022, the District entered into a Tri-Party Agreement by and between the District, Fort Bend County, and Fort Bend County Reinvestment Zone No. 1 (the "Tri-Party Agreement"). Pursuant to the Tri-Party Agreement, certain revenues generated by Fort Bend County Reinvestment Zone No. 1 (the "TIRZ") will be transferred to the District to implement certain TIRZ projects. The District is permitted to use such revenues as security for the issuance of contract revenue bonds in the future, or can use the revenue to directly fund TIRZ projects. The timing, amounts, and implementation of any future contract revenue bonds issued by the District will be determined by future growth within the TIRZ. See "TRI-PARTY AGREEMENT."

Annexation by the City of Rosenberg

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Rosenberg (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

The District and the City entered into a strategic partnership agreement effective as of April 2, 2019 (the "SPA"). Pursuant to the SPA, which sets forth the terms of full purpose annexation, the City will not fully annex property in the District until (i) at least 90% of the developable acreage within the District has been developed with water, wastewater and drainage and paving facilities or 10 years from the date of the SPA, whichever comes first, and the developers have been reimbursed to the maximum extent permitted by the rules of the TCEQ or the City assumes any obligation for such reimbursement; (ii) at a point earlier than Substantial Completion (as defined in the SPA) if the City agrees that the Developers may advance funds for water, sewer and drainage facilities until Substantial Completion and the City will reimburse the developer to the maximum extent allowed by and in accordance with the rules of the TCEQ; or (iii) the expiration of the SPA's term (2044). If the District is annexed, the City will assume the District's assets and obligations (including the Bonds) and dissolve the District within one-hundred and twenty (120) days. No representation is made as to whether or not the City will annex the District at any time in the future. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur.

Consolidation

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

Remedies in Event of Default

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

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

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

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

BOOK-ENTRY-ONLY SYSTEM

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

The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the Registered Owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this OFFICIAL STATEMENT. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Direct Participants is on file with DTC.

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of "AA+" by S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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 (or the Trustee on behalf thereof) 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).

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

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

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

USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs below were compiled by Odyssey Engineering Group, LLC, the District’s engineer (the “Engineer”) and TBG Partners, the District’s landscape architect, and were submitted to the TCEQ in the District’s Bond Application. Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer and Masterson Advisors LLC (the “Financial Advisor”). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds. The surplus funds may be expended for any lawful purpose for which surplus construction funds may be used, if approved by the TCEQ, where required.

I. CONSTRUCTION COSTS

• Sunrise Meadow and Powerline Road Trail Enhancements	\$ 1,062,523
• Sunrise Meadow Trailheads	124,000
• Sunrise Meadow Park Improvements	190,000
• Sunrise Meadow Crosswalks	8,000
• Engineering	258,000
• Contingency	138,000
Total Construction Costs	\$ 1,780,523
Less Surplus Construction Funds	(17,477)
TOTAL CONSTRUCTION COSTS	\$ 1,763,046

II. NON-CONSTRUCTION COSTS

• Underwriter's Discount (a)	\$ 59,973
Total Non-Construction Costs	\$ 59,973

III. ISSUANCE COSTS AND FEES

• Issuance Costs and Professional Fees	\$ 139,954
• Bond Application Report Costs	30,000
• State Regulatory Fees	7,000
• Contingency (a)	27
Total Issuance Costs and Fees	\$ 176,981
TOTAL BOND ISSUE	\$ 2,000,000

(a) The TCEQ approved a maximum Underwriter’s discount of 3.00%. Contingency represents the surplus funds resulting from the sale of the Bonds at a lower Underwriter’s discount than estimated and can be used for purposes allowed and approved by the TCEQ.

In the event approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses in accordance with the rules of the TCEQ. In the event actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ notice or approval and the issuance of additional bonds may be required.

THE DISTRICT

General

The District is a municipal utility district created by an order of the TCEQ dated August 31, 2005. The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to utility districts, particularly Article XVI, Section 59 of the Texas Constitution, as amended, and Chapters 49 and 54 of the Texas Water Code, as amended.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also authorized to develop park and recreational facilities, including the issuance of bonds payable from taxes for such purposes and may also, subject to the granting of road powers by the TCEQ and certain limitations, develop and finance roads. The District is also empowered to contract for or employ its own peace officers and to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts. A Fire Protection Agreement, approved by the District's voters, has been entered into with the City. Pursuant to the District's Rate Order, the District collects fire protection service fees from landowners within the City's service area, which are then remitted to the City in accordance with the Fire Protection Agreement. The fire protection service fees may be adjusted annually per the agreement based on the consumer price index. See "Agreements With the City of Rosenberg—Fire Protection Agreement" herein. Additional land in the District that is not covered by the Fire Protection Agreement is subject to an additional tax by Fort Bend County Emergency Services District No. 6, which provides fire protection for those landowners obligated to pay such tax.

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

Description and Location

The District originally contained approximately 305 acres and has annexed approximately 770 acres of land, including approximately 56 acres annexed into the District boundaries on December 14, 2023. The District currently contains approximately 1,075 acres of land.

The District is located approximately 30 miles southwest of the central downtown business district of the City of Houston and two miles southeast of the central business district of the City of Rosenberg. The District lies wholly within the extraterritorial jurisdiction of the City of Rosenberg and within the boundaries of the Lamar Consolidated Independent School District. The District is generally located near the intersection of U.S. Highway 59 and Farm-to-Market 2218, between Powerline Road and Koeblen Road. Access to the District is provided by U.S. Highway 59 to Farm-to-Market 2218 to Koeblen Road to Powerline Road. See "AERIAL PHOTOGRAPH."

Land Use

The District currently includes approximately 615 developed acres of single-family residential development (1,920 single-family residential lots), approximately 42 acres under construction for 127 single-family residential lots, approximately 5 acres of commercial development, approximately 162 acres of school facilities, approximately 147 developable acres that have not been provided with water, wastewater and/or storm drainage facilities, and approximately 104 undevelopable acres within the District (public rights-of-way, recreation, detention, open spaces, easements and utility sites). The table below represents a detailed breakdown of the current acreage and development in the District.

	Approximate	
	<u>Acres</u>	<u>Lots</u>
<i><u>Single-Family Residential:</u></i>		
Sunrise Meadow:		
Section One.....	51	179
Section Two.....	64	174
Section Three.....	32	114
Section Four.....	32	131
Section Five.....	43	86
Section Six.....	29	115
Section Seven.....	14	46
Section Eight.....	37	128
Subtotal.....	302	973
Still Creek Ranch:		
Section One.....	28	99
Section Two.....	14	64
Section Three.....	21	77
Section Four.....	25	85
Subtotal.....	88	325
Highland Meadows:		
Section One.....	37	111
Section Two.....	18	43
Subtotal.....	55	154
Arabella on the Prairie:		
Section One.....	22	76
Section Two.....	54	128
Section Three (a).....	26	72
Section Four (a).....	16	55
Subtotal.....	118	331
Windstone on the Prairie:		
Section One.....	11	39
Section Two.....	63	148
Section Three.....	20	77
Subtotal.....	94	264
Total Single-Family Residential.....	657	2,047
School.....	162	--
Commercial.....	5	--
Future Development.....	147	--
Non-Developable (b).....	104	--
Totals.....	1075	2,047

(a) Under construction with completion expected in the second quarter of 2024.
 (b) Includes public rights-of-way, recreation, detention, open spaces, easements and utility sites.

Status of Development

Single-Family Residential: The District is being developed as the single-family residential subdivisions of Arabella on the Prairie, Windstone on the Prairie, Sunrise Meadow, Still Creek Ranch and Highland Meadows consisting of 1,920 single-family residential lots constructed on approximately 615 acres. As of November 11, 2023, 1,438 homes were completed (1,411 occupied), 245 homes were under construction or owned by a builder and 237 vacant developed lots were available for home construction. In addition, 127 single-family residential lots are under construction on approximately 42 acres in the District and are expected to be completed in the second quarter of 2024. According to the District's 2023 tax rolls, the average value of homes in the District is approximately \$222,670. New homes recently constructed in Still Creek Ranch, Windstone on the Prairie and Arabella on the Prairie range in price from approximately \$290,000 to \$460,000. The current estimated population in the District is 4,939 based upon 3.5 persons per occupied single-family residence.

Lamar Consolidated Independent School District owns approximately 134 acres developed as a high school and junior high school complex with a middle school under construction with completion expected in August 2024 and approximately 28 acres developed as an elementary school and agricultural school complex. The school complexes, as tax-exempt entities, are not subject to the District's ad valorem property taxation. Commercial development in the District consists of a gas station constructed on approximately 5 acres. Approximately 147 developable acres have not been provided with water, wastewater and storm drainage facilities, and approximately 104 acres within the District are not developable (public rights-of-way, recreation, detention, open spaces, easements and utility sites).

Builders

Lennar Homes of Texas, D.R. Horton, Beazer Homes and Pulte Homes are actively marketing and constructing homes in Still Creek Ranch, Windstone on the Prairie and Arabella on the Prairie.

Agreements with the City of Rosenberg

Utility Agreement: Pursuant to a Water Supply and Wastewater Services Agreement (the "Utility Agreement") between the City and the LGI Homes dated June 7, 2005, as amended, and assigned to the District on November 11, 2005, the District is responsible for acquiring, constructing, operating and maintaining water distribution, wastewater collection and drainage facilities to serve development occurring within the boundaries of the District (the "Facilities") and the City agrees to provide water supply and wastewater treatment capacity to the District to serve up to 2,735 equivalent single-family connections in consideration of the District's financing, acquisition, and construction of the Facilities. The District currently owns and operates a water plant and interim wastewater treatment plant. See "THE SYSTEM—Water Supply" and—"Wastewater Treatment." Pursuant to the Utility Agreement, the District will ultimately convey all of the water supply facilities to the City for ownership and operation and the City will construct a regional sewer treatment plant to replace the District's existing wastewater treatment plant. The City has requested that the District continue to own and operate the Facilities until the City accepts ownership and operational responsibility for the Facilities and has constructed such regional sewer treatment plant. The City has purchased land for the regional sewer treatment plant, but the timetable for such acceptance and construction has not been determined.

The Facilities: The Utility Agreement provides that the Facilities will be designed and constructed in accordance with the City's requirements and criteria. The City agrees to provide the District with its ultimate requirements for water supply capacity and major offsite water distribution lines to the water source and wastewater treatment capacity and major offsite wastewater trunk collection line capacity to the wastewater treatment plant.

Authority of District to Issue Bonds: The District has the authority to issue, sell, and deliver bonds as permitted by law and the City's procedures for the Creation of Municipal Utility Districts. Bonds issued by the District are obligations solely of the District and shall not be construed to be obligations or indebtedness of the City. The District must obtain the consent of the City before it issues bonds and all bonds issued by the District must be in compliance with the City's Ordinance No. 2005-07.

Fire Protection Agreement: Pursuant to the Fire Protection Agreement entered into on May 1, 2007, as amended and supplemented, the City provides fire protection services to the District via the City's existing two fire stations. The customers of the District pay a mandatory monthly fee, which currently is \$20.00 per residential connection. Further, the monthly amounts increase each year on September 1 by the amount of any annual CPI increase. Four other nearby municipal utility districts entered into similar fire protection agreements with the City for similar terms. Pursuant to these amended fire protection agreements, the City completed the construction of Fire Station No. 3 in July 2014. In addition, Fort Bend County Emergency Services District No. 6 provides fire protection service to landowners within the District outside the City's service area, charging a tax to such landowners to fund such fire protection. See "TAX MATTERS—Overlapping Taxes."

Strategic Partnership Agreement

The District and the City entered into a strategic partnership agreement effective as of April 2, 2019 (the “SPA”). Pursuant to the SPA, which sets forth the terms of full purpose annexation, the City will not fully annex property in the District until (i) at least 90% of the developable acreage within the District has been developed with water, wastewater and drainage and paving facilities or 10 years from the date of the SPA, whichever comes first, and the developers have been reimbursed to the maximum extent permitted by the rules of the TCEQ or the City assumes any obligation for such reimbursement; (ii) at a point earlier than Substantial Completion (as defined in the SPA) if the City agrees that the Developers may advance funds for water, sewer and drainage facilities until Substantial Completion and the City will reimburse the developer to the maximum extent allowed by and in accordance with the rules of the TCEQ; or (iii) the expiration of the SPA’s term (2044). If the District is annexed, the City will assume the District’s assets and obligations (including the Bonds) and dissolve the District within one-hundred and twenty (120) days. No representation is made as to whether or not the City will annex the District at any time in the future. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur.

Groundwater Reduction Plan Agreement

The Texas Legislature created the Fort Bend Subsidence District in order to regulate groundwater pumping, and the Subsidence District adopted a regulatory plan that certain water well permit holders, including the District, must reduce groundwater usage, either individually or by participating in a group. To satisfy this mandate, on May 5, 2009, the District and the City of Rosenberg (the “City”) entered into a Groundwater Reduction Plan Participation Agreement (the “Plan”). Approximately 134 acres in the District developed as a Lamar Consolidated Independent District (“LCISD”) high school and junior high school complex is within the boundaries of the Subsidence District and within the boundaries of the North Fort Bend Water Authority (the “Authority”), and is included within the Authority’s groundwater reduction plan. While the District’s water wells are not located within the boundaries of the Authority, the water imported into the portion of the District owned by LCISD that is located within the Authority’s boundaries is subject to Authority import fees, are passed through to LCISD.

The Plan states that the City will be the administrator and is responsible for producing and submitting a plan to the Subsidence District conforming to the minimum requirements. The City also agrees to pay all costs associated with the plan with future bond proceeds issued by the City.

The District agrees to pay the City a surface water fee based on water pumped by the District at the rate of which the City charges to its customers. Effective January 1, 2020, the GRP rate is \$2.60 per 1,000 gallons of groundwater pumped from the District’s well. The District passes this fee, plus a 25% surcharge, on to its customers. The plan will remain in effect as long as the regulatory plan for surface water conversion is in effect. As of April 30, 2023, the District has recorded \$362,875 in revenues and \$326,765 in expenditures pursuant to this agreement.

TRI-PARTY AGREEMENT

General

The District, Fort Bend County Reinvestment Zone No. 1 (the “TIRZ”), and Fort Bend County (the “County”), entered into a Tri-Party Agreement on October 25, 2022 related to the use and administration of tax revenues generated by the TIRZ (the “Tri-Party Agreement”). A total of approximately 4,075 acres were designated by the County as the TIRZ in 2022. The base tax year for the TIRZ is 2022. The District is entirely located within the TIRZ.

Seventy-five percent (75%) of the Tax Increment (as defined below) generated in the TIRZ by the County will be transmitted to the District to finance, construct, operate, and/or maintain certain public infrastructure within the TIRZ. These revenues may be used by the District to directly fund TIRZ projects, to reimburse the advance funding of a TIRZ project, or to be used as security for contract revenue bonds. Should the District issue contract revenue bonds secured by revenues received from the TIRZ, such bonds would be limited obligations of the District payable solely from the sources described herein and are not obligations of the City, the County, the TIRZ, the State of Texas, or any entity other than the District.

The TIRZ revenues are generated solely from the County’s ad valorem taxes levied within the TIRZ, and are wholly separate and apart from the District’s taxing authority. The TIRZ expects to generate its initial Tax Increment in 2024. The Bonds are not secured by any TIRZ revenues.

Establishment of the TIRZ

Pursuant to the County’s September 27, 2022 resolution (the “County Creation Ordinance”), the County created the TIRZ and established the Tax Increment Fund for the TIRZ as a separate fund in the County treasury. The TIRZ took effect on the date of passage of the County Creation Ordinance and is scheduled to terminate on January 1, 2053, or at such time, subsequent to the issuance of tax increment bonds, if any, that all project costs, tax increment bonds, and interest on the bonds have been paid in full.

The Final Project Plan and Reinvestment Zone Financing Plan for the TIRZ (the “Plan”) was approved by the TIRZ on October 17, 2022 and was approved by the County on October 25, 2022. The Plan obligates the County to contribute 75% of its collected Tax Increments arising from Captured Appraised Value of real property within the TIRZ to the Tax Increment Fund during the term of the TIRZ. Further terms concerning the County’s contribution of Tax Increments to the TIRZ are found in the Tri-Party Agreement.

County Participation in the TIRZ

Pursuant to the Tri-Party Agreement, the County agreed to participate in the TIRZ by contributing 75% of the Tax Increment attributable to the Captured Appraised Value of real property located in the TIRZ for 30 tax years, beginning on January 1, 2023 and ending on January 1, 2053. The County is not obligated to make Tax Increment payments from any source other than taxes collected on Captured Appraised Value in the TIRZ and not until the Tax Increments are actually collected. Payments into the Tax Increment Fund are required to be paid as provided in the TIRZ Act, which requires payment by the 90th day after the delinquency date for taxes, and no interest or penalty will be charged to the County for any late payment.

Use and Duration of Contract Tax Increments

The Tri-Party Agreement states that the Authority will use the Contract Tax Increments for the following: (i) payment of bonds issued by the District to finance the TIRZ Projects; (ii) payment of the TIRZ Projects, including costs of TIRZ administration, creation, and all other items identified in the Plan; and (iii) to make developer reimbursements for TIRZ Projects.

The Tri-Party Agreement will remain in effect through the later of (i) the termination of the TIRZ; (ii) the full payment or defeasance of all Tax Increment Contract Revenue Bonds issued by the District; or (iii) forty-five (45) years from the Tri-Party Agreement’s effective date.

TIRZ Litigation

The implementation of the TIRZ was made possible pursuant to a constitutional amendment passed in Texas in November 2021 (Proposition 2). This constitutional amendment permitted counties, instead of only cities, to designate tax increment reinvestment zones and use revenues generated therein to fund development. A lawsuit was filed shortly after the amendment’s passing challenging the ballot language (*True Texas Project, Texans Uniting for Reform and Freedom, Grassroots America-We the People, Julie McCarty, Terri Hall, and JoAnn Fleming v. John B. Scott, in his official capacity as Texas Secretary of State*, Case No. D-1-GN-21-006656, 53rd District Court of Travis County).

Pursuant to the Tri-Party Agreement, should this constitutional amendment be deemed invalid, the TIRZ will be dissolved, and the County will continue to contribute 75% of the Tax Increment to the District, based on the same geographical boundaries as are included in the current TIRZ, for the funding of public infrastructure via an agreement entered into between the District and the County pursuant to Chapter 381 of the Texas Local Government Code. Should such an agreement be necessary, the District may utilize the revenues generated within the same geographic area to fund public infrastructure, but will likely do so only through direct payments (in lieu of bond issuances).

THE DEVELOPERS

Role of a Developer

In general, the activities of a landowner or developer in a municipal utility district such as the District include designing the project, defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of streets and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. While a developer is required by the TCEQ to pave streets in areas where utilities are to be financed by a district through a specified bond issue, a developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer’s right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

Prospective Bond purchasers should note that the prior real estate experience of the Developers should not be construed as an indication that further development within the District will occur, or that construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. See “INVESTMENT CONSIDERATIONS.”

Arenosa Development Powerline, LTD.

The developer of Still Creek Ranch is Arenosa Development Powerline, LTD., a Texas limited partnership (“Arenosa”) whose general partner is Arenosa Development, LLC, a Texas limited liability company. Arenosa has completed the development of Still Creek Ranch, Sections One and Two, consisting of 163 single-family residential lots on approximately 42 acres. Arenosa sold approximately 46 acres to Lennar Homes of Texas Land and Construction, Ltd. (“Lennar Homes”) for the development of single-family residential lots in Still Creek Ranch, Sections Three and Four. Lennar engaged Arenosa as the development manager for such sections and has completed the development of Sections Three and Four, consisting of 162 lots on approximately 46 acres. Lennar does not own any additional developable land in the District for future development. Arenosa continues to own approximately 56 acres of developable but undeveloped land in the District.

Starlight Homes Texas, L.L.C.

The developer of approximately 55 acres of land within the District developed as Highland Meadows is Brookfield Holdings (Rosenberg) LLC, a Texas limited liability company (“Brookfield”). Brookfield has contracted with Starlight Homes Texas, L.L.C., a Delaware limited liability company (“Starlight”) wholly owned by Ashton Woods USA L.L.C., a privately held limited liability company, to develop the land in Highland Meadows on behalf of Brookfield. Brookfield has completed the development of Highland Meadows, Section One and Two, consisting of 154 single-family residential lots on approximately 55 acres and does not own any additional developable land in the District for future development.

Beazer Homes Texas, L.P.

The developer of Arabella on the Prairie is Beazer Homes Texas, L.P., a Delaware limited partnership (“Beazer Homes”). Beazer Homes has completed the development of Arabella on the Prairie, Sections One and Two, consisting of 204 single-family residential lots on approximately 76 acres. Arabella on the Prairie, Sections Three and Four, which will consist of 127 single-family residential lots on approximately 42 acres, are currently under construction and expected to be completed in the second quarter of 2024. Upon completion of Sections Three and Four, Beazer Homes will continue to own an additional approximately 74 acres of developable but undeveloped land in the District.

D.R. Horton Texas Ltd.

The developer of Windstone on the Prairie is D.R. Horton Texas Ltd., a Texas limited partnership (“D.R. Horton”). D.R. Horton has completed the construction of Windstone on the Prairie, Sections One through Three consisting of 264 single-family residential lots on approximately 94 acres and does not own any additional developable land in the District for future development.

Arenosa, Lennar Homes, Beazer Homes and D.R. Horton are collectively referred to herein as the “Developers.”

Information Concerning the Developers

The Developers are not responsible for, liable for, and have not made any commitment for payment of the Bonds or other obligations of the District. The Developers have no legal commitment to the District or owners of the Bonds to continue development of land within the District and may sell or otherwise dispose of its property within the District, or any other assets, at any time.

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

Major Property Owners

Individuals and/or entities own approximately 17 acres of developable land within the District for future development. The District is not aware of any plans to develop such acreage at this time.

MANAGEMENT OF THE DISTRICT

Board of Directors

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

<u>Name</u>	<u>District Board Title</u>	<u>Term Expires</u>
Dale Clayton	President	May 2024
Michael Gutierrez	Vice President	May 2024
Floyd Martinez	Secretary	May 2026
Samantha Sanchez	Assistant Vice President	May 2026
Steven Raymond	Assistant Secretary	May 2024

District Consultants

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

Bond Counsel/Attorney: The District has engaged Allen Boone Humphries Robinson LLP as general counsel to the District and as Bond Counsel in connection with the issuance of the District's bonds. The fees of the attorneys in their capacity as Bond Counsel are contingent upon the sale and delivery of the Bonds. Compensation to the attorneys for other services to the District is based on time charges actually incurred.

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

Auditor: As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which are filed with the Commission. The District's financial statements for the fiscal year ending April 30, 2023 were audited by McGrath & Co., PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the District's April 30, 2023 audited financial statements.

Engineer: The District's consulting engineer is Odyssey Engineering Group, LLC.

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

Tax Assessor/Collector: Land and improvements in the District are appraised for ad valorem taxation purposes by the Fort Bend Central Appraisal District. The District's Tax Assessor/Collector is appointed by the Board to collect the District's taxes. The Fort Bend County Tax Office is currently serving in this capacity.

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

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

Landscape Architect: The landscape architect for the District is TBG Partners.

THE SYSTEM

Regulation

Construction and operation of the District's water, wastewater and storm drainage system as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the District. Discharge of treated sewage into Texas waters, if any, is also subject to the regulatory authority of the TCEQ and the United States Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of the Fort Bend County Drainage District. Fort Bend County, the City, and the Texas Department of Health also exercise regulatory jurisdiction over all or a portion of the District's system.

Water Supply

The District receives its water supply from two 500 gallon per minute ("gpm") wells and a water supply plant owned and operated by the District. The water plant consists of four ground storage tanks totaling 300,000 gallons, three pressure tanks totaling 30,000 gallons and four booster pumps totaling 4,000 gallons per minute. In November 2016, the District received approval from the TCEQ of an Alternative Minimum Capacity Study. Based on this approved study, the water supply system of the District is capable of serving 2,344 equivalent single-family connections ("ESFCs"). As of September 11, 2023, the District was serving approximately 1,540 active ESFCs. Pursuant to the Utility Agreement, the District will ultimately convey all of the water supply facilities to the City for ownership and operation. However, the City has requested that the District continue to own and operate the facilities until the City accepts ownership and operational responsibility for the facilities. The City's timetable for such acceptance has not been determined. See "THE DISTRICT—Agreements with the City of Rosenberg" and—"Utility Agreement."

Subsidence and Conversion to Surface Water Supply

The majority of the District is within the boundaries of the Fort Bend Subsidence District (the "Subsidence District"), which regulates groundwater withdrawal. The District's authority to pump groundwater is subject to an annual permit issued by the Subsidence District. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District's jurisdiction, including the area within the District.

The Subsidence District's regulations require the District, individually or collectively with other water users, to: (i) prepare a groundwater reduction plan ("GRP") and obtain certification of the GRP from the Subsidence District; (ii) limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the GRP, beginning in the year 2016; and (iii) limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the GRP, beginning in the year 2025.

The City has developed a GRP and obtained Subsidence District approval of such GRP. The District has executed a GRP agreement with the City. The City, in accordance with the approved GRP, has executed a contract with the Brazosport Water Authority for delivery of 5.7 million gallons per day of treated surface water, and has begun construction on a large diameter water line to import surface water from Brazosport, Texas to the City, for distribution to its customers and GRP participants, including the District. If the City, as the GRP Manager, fails to comply with the above Subsidence District regulations, the District and others within the City's GRP group will be subject to a disincentive fee penalty imposed by the Subsidence District for any groundwater withdrawn in excess of 40% of the total annual water demand. The District currently charges its customers a monthly GRP fee of \$2.60 per 1,000 gallons plus a 25% surcharge.

The District cannot predict the amount or level of fees and charges that may be due the City related to participation in the City's GRP in the future, but anticipates the need to continue passing any 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 City: (i) will build the necessary facilities to meet the requirements of the Subsidence District for conversion to surface water, or (ii) will comply with the Subsidence District's surface water conversion requirements.

Approximately 134 acres in the District consisting of the Lamar Consolidated Independent District (“LCISD”) high school and junior high school complex and a middle school under construction with completion expected in August 2024 is within the boundaries of the Subsidence District, which regulates groundwater withdrawal. The additional approximate 28 acres consisting of LCISD’s elementary school and agriculture school complex is located outside the Authority (as defined herein) and in the City’s GRP. 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 Service Area. In 2005, the Texas legislature created the North Fort Bend Water Authority (the “Authority”) to, among other things, reduce groundwater usage in, and to provide surface water to, the northern portion of Fort Bend County (including the acreage owned by LCISD) and a small portion of Harris County. The Authority has entered into a Water Supply Contract with the City of Houston, Texas (“Houston”) to obtain treated surface water from Houston. The Authority has developed a groundwater reduction plan (“GRP”) and obtained Subsidence District approval of its GRP. The Authority’s GRP sets forth the Authority’s plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The portion of the District on which the LCISD complex is situated is located in Fort Bend County and is included within the Authority’s GRP. While the District’s water wells are not located within the boundaries of the Authority, the water imported into the portion of the District owned by LCISD is subject to Authority import fees, which will be passed through to LCISD by the District.

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 imposed on the District for groundwater impacted by LCISD from the District), 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 a fee per 1,000 gallons of surface water received from the Authority, if any. (The imported water fee is equal to the fee otherwise charged by the Authority per 1,000 gallons of groundwater pumped within the Authority’s boundaries.). The Authority has issued revenue bonds to fund, among other things, Authority surface water project costs. It is expected that the Authority will continue to issue a substantial amount of bonds by the year 2025 to finance the Authority’s project costs, and it is expected that the fees charged by the Authority will increase substantially over such period.

Under the Subsidence District regulations and the GRP, the Authority is required to: (i) limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the Authority’s GRP, beginning in the year 2014; and (ii) limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the Authority’s GRP, beginning in the year 2025. If the Authority fails to comply with the above Subsidence District regulations, the Authority is subject to a disincentive fee penalty, (“Disincentive Fees”), imposed by the Subsidence District for any groundwater withdrawn in excess of 40% of the total annual water demand in the Authority’s GRP. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from 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 the District will pass such fees through to LCISD. In addition, conversion to surface water could necessitate improvements to the water system conveyed to the District 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.

Wastewater Treatment

Wastewater treatment for the development in the District is provided by a 350,000 gallon per day (“gpd”) interim wastewater treatment plant, which will adequately serve 1,667 equivalent single-family connections. As of September 11, 2023, the District was serving approximately 1,540 active connections. A portion of the proceeds from the Outstanding Bonds will be expended to design and construct Wastewater Treatment Plant No. 2, planned to have an initial capacity of 400,000 gpd and capable of serving 1,600 ESFCs. Wastewater Treatment Plant No. 2 is planned to have an ultimate capacity of 1,200,000 gpd. Construction of Wastewater Treatment Plant No. 2 Phase One has been completed and Phase Two is underway and completion is expected June 2024. See “THE DISTRICT— Agreements with the City—Utility Agreement.”

Water Distribution, Wastewater Collection and Storm Drainage Facilities

Water distribution, wastewater collection and storm drainage facilities have been constructed to serve 1,920 single-family residential lots, 5 acres of commercial property and 162 acres owned by Lamar Consolidated Independent School District in the District. Additionally, facilities are under construction on approximately 42 acres in the District to serve 127 single-family residential lots expected to be completed in the second quarter of 2024. See “THE DISTRICT— Land Use.”

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 no assurance that homes built in such area will not be flooded. The District’s drainage system has been designed and constructed to all current standards. According to the Engineer, approximately 6.5 acres of developable land within Still Creek Ranch were within the designated 100-year flood plain according to the Federal Emergency Management (“FEMA”) Flood Insurance Rate Map Panel Number: 48157C0400L, dated April 2, 2014. Such acreage has been removed from the 100-year flood plain by a FEMA Letter of Map Revision based on fill dated November 27, 2019. See “INVESTMENT CONSIDERATIONS—Extreme Weather Events.”

Atlas 14

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. See “INVESTMENT CONSIDERATIONS—Atlas 14.”

PARK AND RECREATIONAL FACILITIES

Park and recreational facilities constructed within the District include an amenity lake, pavilion, basketball court, playground facilities, sidewalks, playing fields and landscaping and monumentation enhancements. The District has adopted the Master Plan for Recreational, Open Space, Beautification and Landscape Guidelines and has implemented this plan and accompanying guiding principles for all new development in the District to maintain a certain general aesthetic. A portion of the proceeds from the Bonds will be used for trail enhancements within the District. See “USE AND DISTRIBUTION OF BOND OF BOND PROCEEDS.”

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2023 Taxable Assessed Valuation.....	\$314,775,704	(a)
Estimated Taxable Assessed Valuation as of November 1, 2023.....	\$389,909,593	(b)
Gross Direct Debt Outstanding	\$30,860,000	(c)
Estimated Overlapping Debt	38,548,814	(d)
Gross Direct Debt and Estimated Overlapping Debt.....	\$69,408,814	(d)
Ratios of Gross Direct Debt to:		
2023 Taxable Assessed Valuation	9.80%	
Estimated Taxable Assessed Valuation as of November 1, 2023	7.91%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2023 Taxable Assessed Valuation.....	22.05%	
Estimated Taxable Assessed Valuation as of November 1, 2023	17.80%	
Debt Service Funds Available as of January 4, 2024	\$1,499,980	
Operating Funds Available as of January 4, 2024.....	\$3,587,934	
Water, Sewer and Drainage Capital Projects Funds Available as of January 4, 2024.....	\$3,567,952	
Park Capital Projects Funds Available as of January 4, 2024	\$18,161	(e)

- (a) The Appraisal District has certified \$309,578,170 of taxable value and an additional \$5,197,534, which represents 95% of the uncertified value, remains uncertified and subject to review and adjustment prior to certification. The 2023 Taxable Assessed Valuation shown herein is the certified value plus 95% of the uncertified value. See “TAXING PROCEDURES.”
- (b) Provided by the Appraisal District for informational purposes only. Such amount reflects an estimate of the taxable assessed value within the District on November 1, 2023. Increases in value that occur between January 1, 2023 and November 1, 2023 will be assessed for purposes of taxation on January 1, 2024. No tax will be levied on such amount until it is certified. See “TAXING PROCEDURES.”
- (c) Includes the Bonds and the Outstanding Bonds. See “Outstanding Debt” herein.
- (d) See “Estimated Overlapping Debt” herein.
- (e) The District will contribute approximately \$17,477 of surplus Park Capital Projects Funds towards the Bonds. See “THE BONDS—Funds” and “USE AND DISTRIBUTION OF BOND PROCEEDS.”

Investments of the District

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

Outstanding Debt

The District has previously issued \$33,130,000 principal amount of unlimited tax bonds for the purpose of purchasing and constructing water, wastewater and/or storm drainage facilities, \$1,325,000 principal amount of unlimited tax bonds for the purpose of purchasing and constructing park and recreational facilities and \$6,190,000 of unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District, of which \$28,860,000 principal amount is outstanding (the “Outstanding Bonds”) as of the date hereof. The following table lists the original principal amount of all series of bonds issued by the District and the principal amount of the Outstanding Bonds.

<u>Series</u>	<u>Original Principal Amount</u>	<u>Outstanding Bonds</u>
2007	\$ 3,495,000	\$ -
2009	1,500,000	-
2010	900,000	-
2013	1,600,000	-
2015	2,000,000	1,420,000
2015A (a)	4,195,000	2,955,000
2017	4,100,000	3,050,000
2017A (b)	1,325,000	995,000
2020	5,925,000	5,250,000
2021 (a)	1,995,000	1,800,000
2021A	5,300,000	5,080,000
2023	8,310,000	8,310,000
Total	<u>\$ 40,645,000</u>	<u>\$ 28,860,000</u>

(a) Unlimited tax refunding bonds.

(b) Unlimited tax park bonds.

Debt Service Requirements

The following sets forth the debt service on the Outstanding Bonds (see “Outstanding Debt” in this section) and the Bonds.

Year	Outstanding Bonds Debt Service	Plus: Debt Service on the Bonds			Total Debt Service
		Principal	Interest	Total	
2024	\$ 2,187,587.50	\$ -	\$ 43,343.75	\$ 43,343.75	\$ 2,230,931.25
2025	2,166,125.00	85,000	82,125.00	167,125.00	2,333,250.00
2026	2,153,412.50	85,000	77,662.50	162,662.50	2,316,075.00
2027	2,134,450.00	85,000	72,987.50	157,987.50	2,292,437.50
2028	2,113,412.50	85,000	68,312.50	153,312.50	2,266,725.00
2029	2,099,268.75	85,000	63,637.50	148,637.50	2,247,906.25
2030	2,078,437.50	85,000	58,962.50	143,962.50	2,222,400.00
2031	2,067,781.25	85,000	56,200.00	141,200.00	2,208,981.25
2032	2,060,575.00	85,000	53,437.50	138,437.50	2,199,012.50
2033	2,031,456.25	85,000	50,675.00	135,675.00	2,167,131.25
2034	1,999,387.50	85,000	47,912.50	132,912.50	2,132,300.00
2035	1,965,437.50	85,000	45,150.00	130,150.00	2,095,587.50
2036	1,695,987.50	85,000	41,962.50	126,962.50	1,822,950.00
2037	1,672,087.50	85,000	38,775.00	123,775.00	1,795,862.50
2038	1,566,937.50	85,000	35,587.50	120,587.50	1,687,525.00
2039	1,546,987.50	85,000	32,400.00	117,400.00	1,664,387.50
2040	1,411,237.50	85,000	29,000.00	114,000.00	1,525,237.50
2041	1,154,287.50	80,000	25,600.00	105,600.00	1,259,887.50
2042	1,168,862.50	80,000	22,400.00	102,400.00	1,271,262.50
2043	1,161,650.00	80,000	19,200.00	99,200.00	1,260,850.00
2044	828,456.25	80,000	16,000.00	96,000.00	924,456.25
2045	826,512.50	80,000	12,800.00	92,800.00	919,312.50
2046	823,506.25	80,000	9,600.00	89,600.00	913,106.25
2047	599,437.50	80,000	6,400.00	86,400.00	685,837.50
2048	-	80,000	3,200.00	83,200.00	83,200.00
Total	\$ 39,513,281.25	\$ 2,000,000	\$ 1,013,331.25	\$ 3,013,331.25	\$ 42,526,612.50

Average Annual Debt Service Requirements (2024-2048) \$1,701,065
 Maximum Annual Debt Service Requirement (2025) \$2,333,250

Estimated Overlapping Debt

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

<u>Taxing Jurisdiction</u>	<u>Outstanding Bonds</u>	<u>As of</u>	<u>Percent</u>	<u>Overlapping Amount</u>
Fort Bend County	\$ 953,817,725	12/31/23	0.29%	\$ 2,766,071
Fort Bend County Drainage District.....	23,615,000	12/31/23	0.29%	68,484
Lamar Consolidated Independent School District.....	2,834,465,000	12/31/23	1.26%	<u>35,714,259</u>
Total Estimated Overlapping Debt.....				\$38,548,814
The District's Total Direct Debt (a)				<u>30,860,000</u>
Total Direct and Estimated Overlapping Debt				\$69,408,814

Direct and Estimated Overlapping Debt as a Percentage of:

2023 Taxable Assessed Valuation of \$314,775,704	22.05%
Estimated Taxable Assessed Valuation as of November 1, 2023 of \$389,909,593	17.80%

(a) Includes the Bonds and the Outstanding Bonds.

Overlapping Taxes

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

Set forth below are all of the taxes levied for the 2023 tax year by all overlapping taxing jurisdictions and the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	<u>2023 Tax Rate Per \$100 of Taxable Assessed Valuation</u>
Fort Bend County (including Drainage District) (a).....	\$0.4389
Lamar Consolidated Independent School District.....	<u>1.1492</u>
Total Overlapping Tax Rate	\$1.5881
The District (b).....	<u>1.1200</u>
Total Tax Rate (c)	\$2.7081

- (a) Fort Bend County's tax levy (including the Drainage District) over area within and around the District will form the basis of any future TIRZ revenues. There will not be a separate or additional tax levied by Fort Bend County to fund the TIRZ Revenues. See "TRI-PARTY AGREEMENT."
- (b) See "TAX DATA—Historical Tax Rate Distribution."
- (c) A portion of the District is subject to taxation by Fort Bend County Emergency Services District No. 6, which levied a 2023 tax rate in the amount of \$0.100 per \$100 of taxable assessed valuation, creating a total tax rate for taxpayers for this area of \$2.8081 per \$100 of taxable assessed valuation. See "THE DISTRICT—Agreements with the City of Rosenberg" and "—Fire Protection Agreement."

General Operating Fund

The Bonds and the Outstanding Bonds are payable solely from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Nevertheless, net revenues from operations of the District's water and wastewater system, if any, are available for any legal purpose, including the payment of debt service on the Bonds and the Outstanding Bonds, upon Board action. However, it is not anticipated that net revenues will be used or would be sufficient to pay debt service on the Bonds or the Outstanding Bonds.

The following statement sets forth in condensed form the General Operating Fund as shown in the District's audited financial statements for the fiscal years ended April 30, 2020 through April 30, 2023 and from the Bookkeeper for the seven month period ended November 30, 2023. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to "APPENDIX A" for further and complete information.

	5/1/2023 to 11/30/2023 (a)	Fiscal Year Ended April 30			
		2023	2022	2021	2020
Revenues:					
Water Service	\$ 413,182	\$ 466,618	\$ 426,267	\$ 332,141	\$ 264,125
Sewer Service	596,187	858,693	731,868	567,999	484,456
Property Taxes	3,605	926,673	723,252	600,188	718,505
Penalties and Interest	30,119	41,071	30,184	20,866	27,413
Tap Connection and Inspection	1,026,550	68,768	259,804	362,975	200,834
Fire Protection Service	140,240	261,662	263,333	230,524	230,512
Surface Water	336,628	362,875	318,727	251,213	177,067
Miscellaneous	58,938	113,827	71,429	82,580	49,381
Investment Earnings	101,494	79,970	8,604	16,444	50,143
Total Revenue	\$ 2,706,943	\$ 3,180,157	\$ 2,833,468	\$ 2,464,930	\$ 2,202,436
Expenditures:					
Professional Fees	\$ 261,204	\$ 379,194	\$ 372,383	\$ 342,476	\$ 321,972
Contracted Services	870,725	855,086	564,841	496,022	551,341
Repairs and Maintenance	462,876	710,023	730,321	516,053	430,231
Smart Meter Installation	-	29,740	485,704	-	-
Utilities	89,061	175,501	159,027	72,959	74,823
Fire Protection Services	150,640	258,120	255,740	234,300	234,100
Surface Water	331,013	326,765	303,945	240,022	193,122
Administrative	114,247	130,479	99,138	92,866	96,526
Other	195,378	54,027	62,952	43,931	74,618
Capital Outlay	22,241	1,964,296	981,711	321,928	42,077
Developer Interest	-	-	569	-	-
Total Expenditures	\$ 2,497,385	\$ 4,883,231	\$ 4,016,331	\$ 2,360,557	\$ 2,018,810
NET REVENUES	\$ 209,558	\$ (1,703,074)	\$ (1,182,863)	\$ 104,373	\$ 183,626
Other Financing Sources/(Uses)	\$ -	\$ -	\$ -	\$ -	\$ (79,675) (b)
Capital Recovery Fees	-	2,133,271 (c)	357,825 (c)	-	879,791 (c)
General Operating Fund					
Balance (Beginning of Year)	\$ 2,947,635	\$ 2,517,438	\$ 3,342,476	\$ 3,238,103	\$ 2,254,361
General Operating Fund					
Balance (End of Year)	\$ 3,157,193	\$ 2,947,635	\$ 2,517,438	\$ 3,342,476	\$ 3,238,103

(a) Unaudited. Provided by the Bookkeeper.

(b) Transfer to Capital Projects Funds for improvements to the wastewater treatment plant.

(c) Represents the capital recovery fees received from Lamar Consolidated Independent School District.

TAX DATA

Debt Service Tax

The Board covenants in the Bond Resolution to levy and assess, for each year that all or any part of the Bonds and the Outstanding Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. Further, on May 7, 2016, voters within the District authorized the District to provide for the payment of principal and interest on bonds to finance recreational facilities via collection of a sufficient tax upon all taxable property within the District. See “Historical Tax Rate Distribution” and “Tax Roll Information” below, and “TAXING PROCEDURES.”

Maintenance and Operations Tax

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

Historical Tax Rate Distribution

	2023	2022	2021	2020	2019
Debt Service Tax Rate	\$ 0.795	\$ 0.785	\$0.750	\$0.740	\$0.625
Maintenance & Operations Tax Rate	0.325	0.335	0.370	0.360	0.465
Total District Tax Rate	\$ 1.120	\$ 1.120	\$1.120	\$1.100	\$1.090

Exemptions

Notwithstanding any statutorily required exemption, the District has not adopted any additional tax exemptions for property located within the District.

Historical Tax Collections

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

	Taxable			Total Collections	
	Assessed	Tax		As of 11/30/23 (c)	
	Valuation (a)	Rate		Total (b) Tax Levy	Amount
2018	\$ 146,629,270	\$ 1.09	\$1,598,259	\$ 1,598,259	100.00%
2019	154,174,577	1.09	1,680,503	1,680,503	100.00%
2020	167,265,104	1.10	1,839,916	1,839,847	100.00%
2021	194,535,239	1.12	2,178,795	2,178,678	99.99%
2022	277,529,833	1.12	3,108,334	3,101,390	99.78%
2023	314,775,704	1.12	3,525,488	(d)	(d)

- (a) Net valuation represents taxable assessed value as certified by the Appraisal District less any exemptions granted. See “Tax Roll Information” herein for gross assessed value and exemptions granted by the District.
- (b) Represents actual tax levy, including any adjustments by the Appraisal District, as of the date hereof.
- (c) Unaudited.
- (d) In process of collections. Taxes for 2023 are due by January 31, 2024.

Tax Roll Information

The District’s assessed value as of January 1 of each year is used by the District in establishing its tax rate (see “TAXING PROCEDURES—Valuation of Property for Taxation”). The following represents the composition of property comprising the 2020 through 2023 Taxable Assessed Valuations and the Estimated Taxable Assessed Valuation as of November 1, 2023. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year. A breakdown of the uncertified portion (\$5,197,534) of the 2023 Taxable Assessed Valuation is subject to review and downward revision and not included herein.

Tax Year	Type of Property			Gross Assessed Valuation	Deferments and Exemptions	Value Subject To Change	Taxable Assessed Valuation
	Land	Improvements	Personal Property				
Estimate as of							
11/1/2023 (a)	\$ 59,319,484	\$ 504,477,172	\$ 1,818,358	\$ 565,615,014	(180,072,494)	\$ 4,367,073	\$ 389,909,593
2023	45,292,319	442,773,888	1,549,945	489,616,152	(180,037,982)	5,197,534	314,775,704
2022	47,962,270	395,274,603	1,581,240	444,818,113	(167,288,280)	-	277,529,833
2021	42,688,200	198,744,288	1,358,410	242,790,898	(48,255,659)	-	194,535,239
2020	34,211,210	148,147,129	1,114,750	183,473,089	(16,207,985)	-	167,265,104

(a) Provided by the Appraisal District for informational purposes only. Such amount reflects an estimate of the taxable assessed value within the District on November 1, 2023. Increases in value that occur between January 1, 2023 and November 1, 2023 will be assessed for purposes of taxation on January 1, 2024. No tax will be levied on such amount until it is certified. See “TAXING PROCEDURES.”

Principal Taxpayers

The following table represents the ten principal taxpayers, the taxable assessed value of such property, and such property’s taxable assessed valuation as a percentage of the certified portion (\$309,578,170) of the 2023 Taxable Assessed Valuation of \$314,775,704. This represents ownership as of January 1, 2023. Principal taxpayer lists related to the uncertified portion (\$5,197,534) of the 2023 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of November 1, 2023 of \$389,909,593 are not available.

Taxpayer	2023 Certified Taxable Assessed Valuation	% of 2023 Certified Taxable Assessed Valuation
Beazer Homes Texas LP (a)	\$ 2,425,789	0.78%
AMH 2015-2 Borrower LLC	1,797,323	0.58%
Individual	1,720,341	0.56%
Progress Residential Borrower 5 LLC	1,358,451	0.44%
Centerpoint Energy Electric	1,309,840	0.42%
DR Horton Texas LTD (a)	1,276,494	0.41%
Individual	1,022,611	0.33%
AMH 2014-1 Borrower LLC	823,433	0.27%
FKH SFR PROPCO B-HLD LP	775,831	0.25%
Progress Residential Borrower 1 LLC	750,481	0.24%
Total	\$ 13,260,594	4.28%

(a) See “THE DEVELOPERS.”

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 taxable assessed valuation which would be required to meet average annual and maximum annual debt service requirements if no growth in the District’s tax base occurred beyond the 2023 Taxable Assessed Valuation of \$314,775,704 (\$309,578,170 of certified value plus \$5,197,534 of uncertified value) or the Estimated Taxable Assessed Valuation as of November 1, 2023 of \$389,909,593. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements” and “INVESTMENT CONSIDERATIONS—Possible Impact on District Tax Rates.”

Average Annual Debt Service Requirement (2024-2048)	\$1,701,065
\$0.57 Tax Rate on the 2023 Taxable Assessed Valuation	\$1,704,510
\$0.46 Tax Rate on Estimated Taxable Assessed Valuation as of November 1, 2023	\$1,703,905
Maximum Annual Debt Service Requirement (2025).....	\$2,333,250
\$0.79 Tax Rate on the 2023 Taxable Assessed Valuation	\$2,362,392
\$0.63 Tax Rate on Estimated Taxable Assessed Valuation as of November 1, 2023	\$2,333,609

No representation or suggestion is made that the uncertified portion of the 2023 Taxable Assessed Valuation will not be adjusted downward prior to certification or the Estimated Taxable Assessed Valuation as of November 1, 2023 provided by the Appraisal District for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See “TAXING PROCEDURES.”

TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

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

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

Property Subject to Taxation by the District

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

disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed or fatally injured in the line of duty is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See "TAX DATA."

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. See "TAX DATA."

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

Tax Abatement

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

Fort Bend County Reinvestment Zone No. 1

In 2022, the County designated approximately 4,075 acres as Fort Bend County Reinvestment Zone No. 1 (the "TIRZ"). The County agreed to allocate 75% of the Tax Increment (as defined herein) to the District for implementation of the TIRZ Plan. See "TRI-PARTY AGREEMENT." Fort Bend County has designated all of the area within the District within Fort Bend County Reinvestment Zone No.1. See "TRI-PARTY AGREEMENT." The District will receive payments from the County on a quarterly basis, and such revenues may be pledged as security for future District contract revenue Bonds. The TIRZ does not result in a separate or additional tax on land within the District, but instead allocates a portion of the County's collected ad valorem taxes to the District to fund public improvements.

Valuation of Property for Taxation

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

Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. In November 1997, Texas voters approved a constitutional amendment to limit increases in the appraised value of residence homesteads to ten percent (10%) annually regardless of the market value of the property. The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use, open space land and timberland.

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

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

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

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

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

Additional Penalties

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

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.

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 Texas 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 imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are authorized to petition for an election to reduce the operation and maintenance tax rate. If an election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

The District: A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District is made by the Board of Directors on an annual basis. The District has been designated as a "Developing District" for tax year 2023. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

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

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

INVESTMENT CONSIDERATIONS

General

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

Undeveloped Acreage, Vacant Land and Vacant Lots

There are approximately 147 developable acres of land within the District that have not been provided with water, sanitary sewer, storm sewer, park, road and other facilities necessary for the construction of taxable improvements. In addition, there are 237 vacant developed lots and 127 lots under construction on approximately 42 acres in the District with completion expected in the second quarter of 2024. The District makes no representation as to when or if development of the undeveloped acreage will occur, if construction of improvements will occur on the commercial acreage will occur, or that the lot sales and building program will be successful. Failure of the Developers to develop the developable land or of builders to build taxable improvements on the lots could restrict the rate of growth of taxable values in the District. See "THE DISTRICT—Land Use" and "—Status of Development."

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of single-family residences, undeveloped land and developed lots available for the construction of primary residences. The market value of such properties is related to general economic conditions affecting the demand for properties. Demand for residential tracts and the construction of residential dwellings on vacant lots can be significantly affected by factors such as interest rates, credit availability (see "Credit Markets and Liquidity in the Financial Markets" below), construction costs, energy availability, energy prices and the prosperity and demographic characteristics of the urban center toward which the marketing of such properties is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values.

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 30 miles from the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston and decline in the nation's real estate and financial markets could affect development and home-building plans in the District and restrain the growth of or reduce the District's property tax base.

Competition

The demand for and construction of single-family homes in the District, which is 30 miles from the central downtown business district of the City of Houston, could be affected by competition from other residential developments including other residential developments located in the western portion of the Houston metropolitan area. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in the area of the District and in more established neighborhoods closer to downtown Houston. Such homes could represent additional competition for new homes proposed to be sold within the District.

The competitive position of the Developers in the sale of developed lots and of prospective builders in the construction of single-family residential houses within the District is affected by most of the factors discussed in this section. Such a competitive position directly affects the growth and maintenance of taxable values in the District. The District can give no assurance that building and marketing programs in the District by the Developers will be implemented or, if implemented, will be successful.

Possible Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2023 Taxable Assessed Valuation is \$314,775,704 (\$309,578,170 of certified value plus \$5,197,534 of uncertified value). After issuance of the Bonds, the maximum annual debt service requirement will be \$2,333,250 (2025), and the average annual debt service requirement will be \$1,701,065 (2024-2048 inclusive). Assuming no increase or decrease from the 2023 Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$0.79 and \$0.57 per \$100 of taxable assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. The Estimated Taxable Assessed Valuation as of November 1, 2023, is \$389,909,593, which reduces the above calculations to \$0.63 and \$0.46 per \$100 of taxable assessed valuation, respectively.

No representation or suggestion is made that the uncertified portion of the 2023 Taxable Assessed Valuation will not be adjusted downward prior to certification or the Estimated Taxable Assessed Valuation as of November 1, 2023 provided by the Appraisal District for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See "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 or homebuilding activity within the District. The District cannot predict the impact that negative conditions in the oil and gas industry could have on property values in the District.

Extreme Weather Events

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

According to the Operator and Engineer, the District's water and wastewater system sustained no material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. Further, according to the Operator and Engineer, no homes within the District experienced structural flooding or other material damage as a result of Hurricane Harvey.

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

Specific Flood Type Risks

River (or Fluvial) Flood: A river (or fluvial) flood 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 sheetflow overland. 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 floods are very dangerous and destructive not only because of the force of the water, but also the hurtling debris that is often swept up in the flow. They can occur within minutes or a few hours of excessive rainfall. They can also occur even if no rain has fallen, for instance, after a levee, dam or reservoir has failed, or after a sudden release of water by a debris or ice jam. Controlled releases from a dam, levee, or reservoir also could potentially create a flooding condition in rivers, bayous or man-made drainage systems (canals or channels) downstream.

Ponding (or Pluvial) Flood: A ponding (or pluvial) flood occurs when heavy rainfall creates a flood event independent of an overflowing water body, typically in relatively flat areas. Intense rainfall can over capacitate a drainage system which becomes trapped and flows out into streets and nearby structures until it reaches a natural outlet. Ponding can also occur in a flood pool upstream or behind a dam, or levee, or reservoir.

Tax Collections Limitations and Foreclosure Remedies

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

Registered Owners' Remedies and Bankruptcy Limitations

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

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

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

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

A district may not be forced into bankruptcy involuntarily.

Future Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. An aggregate of \$97,735,000 principal amount of unlimited tax bonds for the purpose of purchasing and constructing water, wastewater and/or storm drainage facilities, \$5,650,000 principal amount of unlimited tax bonds for the purpose of purchasing and constructing park and recreational facilities and \$16,645,000 principal amount of unlimited tax refunding bonds have been authorized by the District's voters. After the issuance of the Bonds, the District will have \$64,605,000 principal amount of unlimited tax bonds for purchasing and constructing water, wastewater and/or storm drainage facilities, \$2,325,000 principal amount of unlimited tax bonds for purchasing and constructing park and recreational facilities and \$16,345,000 principal amount of unlimited tax bonds for refunding outstanding bonds of the District authorized but unissued. Further, the principal amount of unlimited tax bonds issued by the District for constructing and/or acquiring park and recreational facilities may not exceed 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. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes, including road bonds and park bonds. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds. See "THE BONDS—Issuance of Additional Debt."

The District also has the right to issue bonds secured by revenues received from the County based on increases in the taxable value of Fort Bend County Reinvestment Zone No. 1. See "TRI-PARTY AGREEMENT. The timing, amount, and implementation of any future contract revenue bonds issued by the District will be determined by future growth within the TIRZ.

The District continues to owe approximately \$26,710,000 to the Developers for financing water, wastewater and/or storm drainage facilities and park and recreational facilities. The District intends to issue additional bonds in order to develop the remainder of undeveloped but developable land (approximately 147 acres). The District does not employ any formula with respect to taxable assessed valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds related to water, wastewater, storm drainage facilities and/or parks and recreational facilities is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District.

Environmental Regulation

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

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

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

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

On 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.

Marketability of the Bonds

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

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.

Continuing Compliance with Certain Covenants

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

Risk Factors Related to the Purchase of Municipal Bond Insurance

The Initial Purchaser (as defined herein) has entered into an agreement with ASSURED GUARANTY MUNICIPAL CORP. ("AGM" or the "Insurer") for the purchase of a municipal bond insurance policy (the "Policy"). At the time of entering into the agreement, the Insurer was rated "AA" (stable outlook) by S&P and "A1" (stable outlook) by Moody's. See "MUNICIPAL BOND INSURANCE."

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

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

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

MUNICIPAL BOND RATING

S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) assigned a municipal bond insured rating of “AA” (stable outlook) and Moody’s Investors Service, Inc. (“Moody’s”) is expected to assign a municipal bond insured rating of “A1” (stable outlook), respectively, to the Bonds with the understanding that, upon issuance and delivery of the Bonds, a Bond Insurance Policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. (“AGM” or the “Insurer”). Moody’s has also assigned an underlying rating of “Baa2” to the Bonds. An explanation of the ratings may be obtained from S&P and Moody’s. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance” and “MUNICIPAL BOND INSURANCE.”

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

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

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its subsidiaries, provides credit enhancement products to the U.S. and non-U.S. public finance (including infrastructure) and structured finance markets and participates in the asset management business through ownership interests in Sound Point Capital Management, LP and related entities. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

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

Current Financial Strength Ratings

On October 20, 2023, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On July 13, 2023, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

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

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

Capitalization of AGM

At September 30, 2023:

- The policyholders' surplus of AGM was approximately \$2,569 million.
- The contingency reserve of AGM was approximately \$908 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,048 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty UK Limited ("AGUK") and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").

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

Incorporation of Certain Documents by Reference

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

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (filed by AGL with the SEC on March 1, 2023);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2023 (filed by AGL with the SEC on May 10, 2023);
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2023 (filed by AGL with the SEC on August 9, 2023); and
- (iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2023 (filed by AGL with the SEC on November 8, 2023).

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

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

Miscellaneous Matters

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

LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas payable from the proceeds of an annual ad valorem tax levied by the District, without limit as to rate or amount, upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Bond Counsel, to a like effect and to the effect that, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals 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 BONDS,” “THE DISTRICT—General, Agreement with the City of Rosenberg,” “TRI-PARTY AGREEMENT,” “TAXING PROCEDURES,” “LEGAL MATTERS,” “TAX MATTERS” and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this OFFICIAL STATEMENT nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this OFFICIAL STATEMENT. No person is entitled to rely upon Bond Counsel’s limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

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

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

No Material Adverse Change

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

No-Litigation Certificate

The District will furnish the Underwriter a certificate, executed by both the President or Vice President and Secretary or Assistant Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that there is not pending, and to their knowledge, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices, and that no additional bonds or other indebtedness have been issued since the date of the statement of indebtedness or nonencumbrance certificate submitted to the Attorney General of Texas in connection with approval of the Bonds.

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 it will comply with these requirements.

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

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

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

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

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

Tax Accounting Treatment of Original Issue Discount Bonds

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

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

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

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

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

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

Masterson Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the OFFICIAL STATEMENT, including the OFFICIAL NOTICE OF SALE and the OFFICIAL BID FORM for the sale of the Bonds. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this OFFICIAL STATEMENT. The Financial Advisor has reviewed the information in this OFFICIAL STATEMENT in accordance with, and as a part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Consultants

In approving this OFFICIAL STATEMENT the District has relied upon the following consultants.

Tax Assessor/Collector: The information contained in this OFFICIAL STATEMENT relating to the breakdown of the District's historical assessed value and principal taxpayers, including particularly such information contained in the section entitled "TAX DATA" has been provided by the Fort Bend County Tax Office, and is included herein in reliance upon the authority of such office as an expert in assessing property values and collecting taxes.

Engineer: The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the System and, in particular that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM" has been provided by Odyssey Engineering Group, LLC, Consulting Engineers and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Auditor: The District's financial statements for the fiscal year ending April 30, 2023, were audited by McGrath & Co., PLLC, Certified Public Accountants and are included in "APPENDIX A."

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

Updating the Official Statement

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

Certification of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain financial information and operating data annually to the MSRB. The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data of the general type included in this OFFICIAL STATEMENT under the headings “THE SYSTEM,” “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED),” except for “Estimated Overlapping Debt,” “TAX DATA,” and in APPENDIX A (Financial Statements of the District and certain supplemental schedules). The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2024. Any financial statements so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable period to the MSRB within such six month period, and audited financial statements when the audit report becomes available.

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

Event Notices

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

Availability of Information from the MSRB

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

Limitations and Amendments

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

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

Compliance With Prior Undertakings

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

MISCELLANEOUS

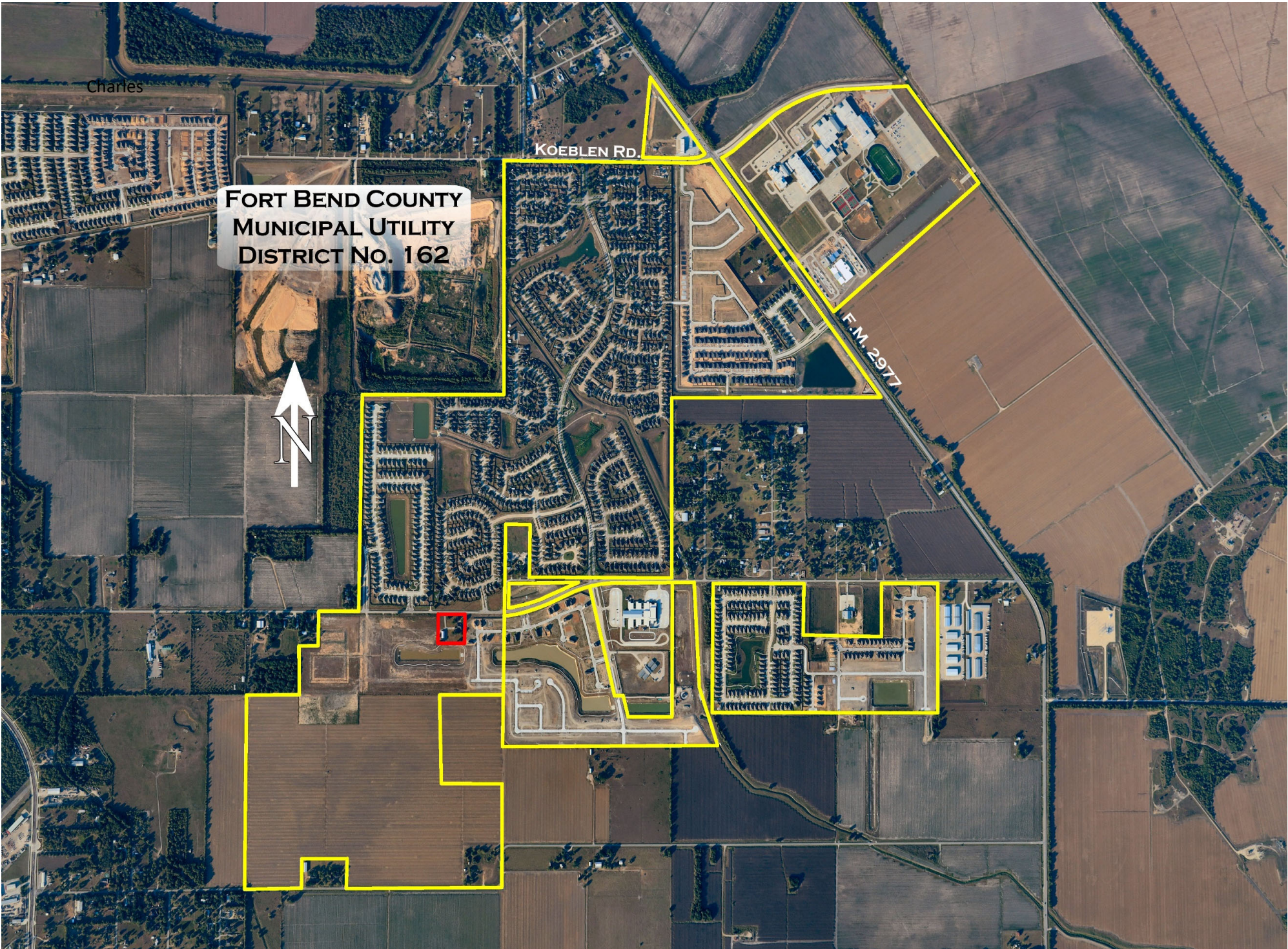
All estimates, statements and assumptions in this OFFICIAL STATEMENT and the APPENDICES hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this OFFICIAL STATEMENT involving matters of opinion or estimates, whether or not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

/s/ Dale Clayton
President, Board of Directors

ATTEST:

/s/ Floyd Martinez
Secretary, Board of Directors

AERIAL PHOTOGRAPH
(As of August 2023)



Charles

KOEBLEN RD.

**FORT BEND COUNTY
MUNICIPAL UTILITY
DISTRICT NO. 162**

F.M. 2977



**PHOTOGRAPHS OF THE DISTRICT
(As of August 2023)**













APPENDIX A

Financial Statement of the District for the year ended April 30, 2023

The information contained in this appendix includes the Annual Audit Report of Fort Bend County Municipal Utility District No. 162 for the fiscal year ended April 30, 2023.

**FORT BEND COUNTY MUNICIPAL
UTILITY DISTRICT NO. 162**

FORT BEND COUNTY, TEXAS

FINANCIAL REPORT

April 30, 2023

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McGRATH & CO., PLLC

Certified Public Accountants

2900 North Loop West, Suite 880

Houston, Texas 77092

Independent Auditor's Report

Board of Directors
Fort Bend County Municipal Utility District No. 162
Fort Bend County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 162 (the "District"), as of and for the year ended April 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 162, as of April 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

***Board of Directors
Fort Bend County Municipal Utility District No. 162
Fort Bend County, Texas***

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

Supplementary Information

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

W.C. Galt & Co, P.C.

Houston, Texas
August 3, 2023

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Management's Discussion and Analysis

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***Fort Bend County Municipal Utility District No. 162
Management's Discussion and Analysis
April 30, 2023***

Using this Annual Report

Within this section of the financial report of Fort Bend County Municipal Utility District No. 162 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended April 30, 2023. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at April 30, 2023, was \$7,284,987. A comparative summary of the District's overall financial position, as of April 30, 2023 **and 2022**, is as follows:

	2023	2022
Current and other assets	\$ 13,917,744	\$ 10,237,494
Capital assets	26,909,078	20,356,350
Total assets	<u>40,826,822</u>	<u>30,593,844</u>
 Total deferred outflows of resources	 <u>274,906</u>	 <u>299,180</u>
 Current liabilities	 3,194,043	 2,343,770
Long-term liabilities	30,622,698	23,617,807
Total liabilities	<u>33,816,741</u>	<u>25,961,577</u>
 Net position		
Net investment in capital assets	2,476,145	1,431,461
Restricted	2,839,994	1,885,302
Unrestricted	1,968,848	1,614,684
Total net position	<u>\$ 7,284,987</u>	<u>\$ 4,931,447</u>

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The total net position of the District increased during the current fiscal year by \$2,353,540. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2023</u>	<u>2022</u>
Revenues		
Property taxes, penalties and interest	\$ 3,168,586	\$ 2,214,180
Water and sewer service	1,325,311	1,158,135
Other	<u>1,071,977</u>	<u>927,460</u>
Total revenues	<u>5,565,874</u>	<u>4,299,775</u>
Expenses		
Current service operations	3,045,043	3,199,833
Debt interest and fees	661,366	567,267
Developer interest	305,291	172,106
Debt issuance costs	685,805	457,047
Depreciation	<u>648,100</u>	<u>537,766</u>
Total expenses	<u>5,345,605</u>	<u>4,934,019</u>
Change in net position before other item	220,269	(634,244)
Other item		
Capital recovery fees	<u>2,133,271</u>	<u>357,825</u>
Change in net position	2,353,540	(276,419)
Net position, beginning of year	<u>4,931,447</u>	<u>5,207,866</u>
Net position, end of year	<u>\$ 7,284,987</u>	<u>\$ 4,931,447</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of April 30, 2023, were \$11,889,978, which consists of \$2,947,635 in the General Fund, \$2,951,281 in the Debt Service Fund, and \$5,991,062 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of April 30, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Total assets	<u>\$ 4,327,859</u>	<u>\$ 3,679,779</u>
Total liabilities	\$ 1,370,214	\$ 1,159,249
Total deferred inflows	10,010	3,092
Total fund balance	<u>2,947,635</u>	<u>2,517,438</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 4,327,859</u>	<u>\$ 3,679,779</u>

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

	2023	2022
Total revenues	\$ 3,180,157	\$ 2,833,468
Total expenditures	(4,883,231)	(4,016,331)
Revenues under expenditures	(1,703,074)	(1,182,863)
Other changes in fund balance	2,133,271	357,825
Net change in fund balance	<u>\$ 430,197</u>	<u>\$ (825,038)</u>

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

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues increased from prior year because assessed values increased from prior year.
- Water, sewer and surface water revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.
- Revenues from providing fire protection services are based on the number of connections in the District and remain consistent from year to year.
- Tap connection fees fluctuate with homebuilding activity within the District.

During the current fiscal year, the District received \$2,133,271 from Lamar Consolidated Independent School District for capital recovery fees.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of April 30, 2023 and 2022 is as follows:

	2023	2022
Total assets	<u>\$ 2,978,428</u>	<u>\$ 1,988,035</u>
Total deferred inflows	\$ 27,147	\$ 7,599
Total fund balance	2,951,281	1,980,436
Total deferred inflows and fund balance	<u>\$ 2,978,428</u>	<u>\$ 1,988,035</u>

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

	<u>2023</u>	<u>2022</u>
Total revenues	\$ 2,234,164	\$ 1,479,323
Total expenditures	<u>(1,442,325)</u>	<u>(1,466,207)</u>
Revenues over expenditures	791,839	13,116
Other changes in fund balance	<u>179,006</u>	<u>257,739</u>
Net change in fund balance	<u><u>\$ 970,845</u></u>	<u><u>\$ 270,855</u></u>

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

In the prior year, the District issued refunding bonds in the amount of \$1,995,000 to refund \$1,910,000 of outstanding Series 2010 and Series 2013 bonds and save \$473,355 in future debt service payments

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of April 30, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Total assets	<u>\$ 6,611,457</u>	<u>\$ 4,569,680</u>
Total liabilities	\$ 620,395	\$ 251,788
Total fund balance	<u>5,991,062</u>	<u>4,317,892</u>
Total liabilities and fund balance	<u><u>\$ 6,611,457</u></u>	<u><u>\$ 4,569,680</u></u>

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

	<u>2023</u>	<u>2022</u>
Total revenues	\$ 125,087	\$ 2,808
Total expenditures	<u>(6,582,911)</u>	<u>(4,733,412)</u>
Revenues under expenditures	(6,457,824)	(4,730,604)
Other changes in fund balance	<u>8,130,994</u>	<u>5,165,275</u>
Net change in fund balance	<u><u>\$ 1,673,170</u></u>	<u><u>\$ 434,671</u></u>

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2023 Unlimited Tax Bonds in the current year and proceeds from the sale of its Series 2021A Unlimited Tax Bonds in the prior year.

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General Fund Budgetary Highlights

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$496,834 greater than budgeted. The *Budgetary Comparison Schedule* on page 38 of this report provides variance information per financial statement line item.

Capital Assets

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

Capital assets held by the District at April 30, 2023 and 2022 are summarized as follows:

	<u>2023</u>	<u>2022</u>
Capital assets not being depreciated		
Land and improvements	\$ 2,469,507	\$ 1,576,469
Construction in progress	4,610,448	1,984,610
	<u>7,079,955</u>	<u>3,561,079</u>
Capital assets being depreciated		
Infrastructure	24,113,046	20,827,868
Landscaping improvements	1,500,597	1,103,823
	<u>25,613,643</u>	<u>21,931,691</u>
Less accumulated depreciation		
Infrastructure	(5,573,931)	(5,000,861)
Landscaping improvements	(210,589)	(135,559)
	<u>(5,784,520)</u>	<u>(5,136,420)</u>
Depreciable capital assets, net	<u>19,829,123</u>	<u>16,795,271</u>
Capital assets, net	<u>\$ 26,909,078</u>	<u>\$ 20,356,350</u>

Capital asset additions during the current year include the following:

- Utilities serve Highland Meadows Section 2
- Utilities serve Still Creek Ranch along Powerline Road
- Detention facilities to serve Lamar Consolidated Independent School District along Powerline Road
- West Basin detention facilities
- Sunrise Meadows Drive storm sewer replacement

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The District's construction in progress is for the construction of the following:

- Wastewater Treatment Plant No. 1 Phase 3 Expansion
- Wastewater Treatment Plant No. 2
- Lamar Consolidated Independent School District Utility Extensions

Long-Term Debt and Related Liabilities

As of April 30, 2023, the District owes approximately \$1,624,027 to developers for completed projects. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 6, the District has an additional commitment in the amount of \$22,107,143 for projects under construction by the developers. As noted, the District will owe its developer for these projects upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

At April 30, 2023 **and 2022**, the District had total bonded debt outstanding as shown below:

Series	2023	2022
2015	\$ 1,495,000	\$ 1,570,000
2015A Refunding	3,170,000	3,375,000
2017	3,225,000	3,400,000
2017A	1,050,000	1,105,000
2020	5,475,000	5,700,000
2021 Refunding	1,900,000	1,995,000
2021A	5,300,000	5,300,000
2023	8,310,000	
	\$ 29,925,000	\$ 22,445,000

During the current year, the District issued \$8,310,000 in unlimited tax bonds. At April 30, 2023, the District had \$64,605,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within and for benefiting the District; \$4,325,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing, and improving the parks and recreational facilities; and \$16,345,000 for refunding purposes.

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Next Year's Budget

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

	<u>2023 Actual</u>	<u>2024 Budget</u>
Total revenues	\$ 3,180,157	\$ 3,268,892
Total expenditures	<u>(4,883,231)</u>	<u>(3,291,517)</u>
Revenues under expenditures	(1,703,074)	(22,625)
Other changes in fund balance	2,133,271	
Net change in fund balance	<u>430,197</u>	<u>(22,625)</u>
Beginning fund balance	2,517,438	2,947,635
Ending fund balance	<u><u>\$ 2,947,635</u></u>	<u><u>\$ 2,925,010</u></u>

Property Taxes

The District's property tax base increased approximately \$39,671,000 for the 2023 tax year from \$278,696,062 to \$318,367,217, based on preliminary values. This increase was primarily due to new construction in the District and increased property values.

Basic Financial Statements

Fort Bend County Municipal Utility District No. 162
Statement of Net Position and Governmental Funds Balance Sheet
April 30, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 292,855	\$ -	\$ 472	\$ 293,327	\$ -	\$ 293,327
Investments	3,725,150	2,957,512	6,624,228	13,306,890		13,306,890
Taxes receivable	10,010	27,147		37,157		37,157
Customer service receivables, net	210,515			210,515		210,515
Internal balances	24,077	(10,834)	(13,243)			
Accrued interest receivable	1,431	4,603		6,034		6,034
Other receivables	43,491			43,491		43,491
Prepaid items	20,330			20,330		20,330
Capital assets not being depreciated					7,079,955	7,079,955
Capital assets, net					19,829,123	19,829,123
Total Assets	<u>\$ 4,327,859</u>	<u>\$ 2,978,428</u>	<u>\$ 6,611,457</u>	<u>\$ 13,917,744</u>	<u>26,909,078</u>	<u>40,826,822</u>
Deferred Outflows of Resources						
Deferred difference on refunding					274,906	274,906
Liabilities						
Accounts payable	\$ 285,811	\$ -	\$ 455,013	\$ 740,824		740,824
Retainage payable	171,222		165,382	336,604		336,604
Other payables	2,529			2,529		2,529
Customer deposits	151,197			151,197		151,197
Unearned revenue	66,910			66,910		66,910
Annexation deposits	454,890			454,890		454,890
Developer escrow deposits	237,655			237,655		237,655
Accrued interest payable					138,434	138,434
Due to developers					1,624,027	1,624,027
Long-term debt						
Due within one year					1,065,000	1,065,000
Due after one year					28,998,671	28,998,671
Total Liabilities	<u>1,370,214</u>		<u>620,395</u>	<u>1,990,609</u>	<u>31,826,132</u>	<u>33,816,741</u>
Deferred Inflows of Resources						
Deferred property taxes	<u>10,010</u>	<u>27,147</u>		<u>37,157</u>	<u>(37,157)</u>	
Fund Balances/Net Position						
Fund Balances						
Nonspendable	20,330			20,330	(20,330)	
Restricted		2,951,281	5,991,062	8,942,343	(8,942,343)	
Unassigned	2,927,305			2,927,305	(2,927,305)	
Total Fund Balances	<u>2,947,635</u>	<u>2,951,281</u>	<u>5,991,062</u>	<u>11,889,978</u>	<u>(11,889,978)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,327,859</u>	<u>\$ 2,978,428</u>	<u>\$ 6,611,457</u>	<u>\$ 13,917,744</u>		
Net Position						
Net investment in capital assets					2,476,145	2,476,145
Restricted for debt service					2,839,994	2,839,994
Unrestricted					1,968,848	1,968,848
Total Net Position					<u>\$ 7,284,987</u>	<u>\$ 7,284,987</u>

See notes to basic financial statements.

Fort Bend County Municipal Utility District No. 162
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended April 30, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Water service	\$ 466,618	\$ -	\$ -	\$ 466,618	\$ -	\$ 466,618
Sewer service	858,693			858,693		858,693
Property taxes	926,673	2,170,538		3,097,211	48,130	3,145,341
Penalties and interest	41,071	3,838		44,909	(21,664)	23,245
Tap connection and inspection	68,768			68,768		68,768
Fire protection services	261,662			261,662		261,662
Surface water	362,875			362,875		362,875
Miscellaneous	113,827	21		113,848		113,848
Investment earnings	79,970	59,767	125,087	264,824		264,824
Total Revenues	3,180,157	2,234,164	125,087	5,539,408	26,466	5,565,874
Expenditures/Expenses						
Current service operations						
Professional fees	379,194		125,628	504,822		504,822
Contracted services	855,086			855,086		855,086
Repairs and maintenance	710,023			710,023		710,023
Smart meter installation	29,740			29,740		29,740
Utilities	175,501			175,501		175,501
Fire protection services	258,120			258,120		258,120
Surface water	326,765			326,765		326,765
Administrative	130,479			130,479		130,479
Other	54,027		480	54,507		54,507
Capital outlay	1,964,296		5,465,707	7,430,003	(7,430,003)	
Debt service						
Principal		830,000		830,000	(830,000)	
Interest and fees		612,325		612,325	49,041	661,366
Developer interest			305,291	305,291		305,291
Debt issuance costs			685,805	685,805		685,805
Depreciation					648,100	648,100
Total Expenditures/Expenses	4,883,231	1,442,325	6,582,911	12,908,467	(7,562,862)	5,345,605
Revenues Over/(Under)						
Expenditures/Expenses	(1,703,074)	791,839	(6,457,824)	(7,369,059)	7,589,328	220,269
Other Financing Sources						
Proceeds from sale of bonds		179,006	8,130,994	8,310,000	(8,310,000)	
Other Item						
Capital recovery fees	2,133,271			2,133,271		2,133,271
Net Change in Fund Balances	430,197	970,845	1,673,170	3,074,212	(3,074,212)	
Change in Net Position					2,353,540	2,353,540
Fund Balance/Net Position						
Beginning of the year	2,517,438	1,980,436	4,317,892	8,815,766	(3,884,319)	4,931,447
End of the year	\$ 2,947,635	\$ 2,951,281	\$ 5,991,062	\$ 11,889,978	\$ (4,604,991)	\$ 7,284,987

See notes to basic financial statements.

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Fort Bend County Municipal Utility District No. 162 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality dated August 31, 2005, and operates in accordance with the Texas Water Code, Chapters 49 and 54, as amended. The Board of Directors held its first meeting on September 7, 2005, and the first bonds were issued on December 13, 2007.

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

On March 13, 2018, the District adopted an order annexing a 42.06-acre tract of land owned by Arenosa Development Powerline, Ltd. into the District. On August 14, 2018, the District adopted an order annexing a 10.5-acre tract of land owned by Robert P. Cortez into the District and an order annexing a 55.063-acre tract of land owned by Sowell Rosenberg Associates, L.P. into the District. On July 1, 2019, the District adopted an order annexing a 130-acre tract and a 6.997-acre tract owned by Lamar Consolidated Independent School District. On December 3, 2020, the District adopted an order annexing a 109.5-acre tract and a 55.6884-acre tract to be developed for residential and/or commercial purposes. In the spring of 2021, the District approved annexation agreements with Lamar Consolidated Independent School District (27.66 acres), White & Bolin (4.59 acres), Beazer (68.12 acres) and Arenosa (47 acres). On July 7, 2022, the District adopted an order annexing a 76.438-acre tract and a 66.551-acre tract.

Reporting Entity

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements

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

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

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

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

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

Measurement Focus and Basis of Accounting

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

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

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

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

Use of Restricted Resources

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

Prepaid Items

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At April 30, 2023, an allowance for uncollectible accounts was not considered necessary.

Unbilled Service Revenues

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

Interfund Activity

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

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

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

Depreciable capital assets, which primarily consist of water, wastewater and drainage facilities, are depreciated using the straight-line method as follows:

<u>Assets</u>	<u>Useful Life</u>
Infrastructure	20-45 years
Landscaping Improvements	20 years

Deferred Inflows and Outflows of Financial Resources

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

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

Deferred outflows of financial resources at the government-wide level are from refunding bond transactions in which the amount required to repay the old debt exceeded the net carrying amount of the old debt. This amount is being amortized to interest expense.

Note 1 – Summary of Significant Accounting Policies (continued)

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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

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

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

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

Unassigned - all other spendable amounts in the General Fund.

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

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Estimates

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

Fort Bend County Municipal Utility District No. 162
Notes to Financial Statements
April 30, 2023

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds		\$ 11,889,978
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost		\$ 32,693,598
Less accumulated depreciation		<u>(5,784,520)</u>
Change due to capital assets		26,909,078

The difference between the face amount of bonds refunded and the amount paid to the escrow agent is recorded as a deferred difference on refunding in the *Statement of Net Position* and amortized to interest expense. It is not recorded in the fund statements because it is not a financial resource.

274,906

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

Bonds payable, net		(30,063,671)
Interest payable on bonds		<u>(138,434)</u>
Change due to long-term debt		(30,202,105)

Amounts due to the District's developers for prefunded construction are recorded as a liability in the *Statement of Net Position*.

(1,624,027)

Receivables that are not collected within sixty days of fiscal year end are not considered available to pay current period expenditures and are deferred in the funds, the difference consists of:

Property taxes receivable		33,479
Penalty and interest receivable		<u>3,678</u>
Change due to property taxes		37,157

Total net position - governmental activities

\$ 7,284,987

Fort Bend County Municipal Utility District No. 162
Notes to Financial Statements
April 30, 2023

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

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

Net change in fund balances - total governmental funds \$ 3,074,212

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and related penalties and interest. 26,466

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

Capital outlays	\$ 7,430,003	
Depreciation	(648,100)	
		6,781,903

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

Issuance of long term debt	(8,310,000)	
Principal payments	830,000	
Interest expense accrual	(49,041)	
		(7,529,041)

Change in net position of governmental activities	\$ 2,353,540
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Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Fort Bend County Municipal Utility District No. 162
Notes to Financial Statements
April 30, 2023

Note 3 – Deposits and Investments (continued)

Investments

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

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

As of April 30, 2023, the District's investments consist of the following:

<u>Type</u>	<u>Fund</u>	<u>Carrying Value</u>	<u>Percentage of Total</u>	<u>Rating</u>	<u>Weighted Average Maturity</u>
Certificates of deposit	General	\$ 235,000			
	Debt Service	240,000			
		<u>475,000</u>	4%	N/A	N/A
TexPool	General	3,490,150			
	Debt Service	2,717,512			
	Capital Projects	6,624,228			
		<u>12,831,890</u>	96%	AAAm	24 days
Total		<u>\$ 13,306,890</u>	<u>100%</u>		

The District's investments in certificates of deposit are reported at cost.

Fort Bend County Municipal Utility District No. 162
Notes to Financial Statements
April 30, 2023

Note 3 – Deposits and Investments (continued)

TexPool

The District participates in TexPool, the Texas Local Government Investment Pool. The State Comptroller of Public Accounts exercises oversight responsibility of TexPool, which includes (1) the ability to significantly influence operations, (2) designation of management and (3) accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

As permitted by GAAP, TexPool uses amortized cost (which excludes unrealized gains and losses) rather than market value to compute share price and seeks to maintain a constant dollar value per share. Accordingly, the fair value of the District’s position in TexPool is the same as the value of TexPool shares. Investments in TexPool may be withdrawn on a same day basis, as long as the transaction is executed by 3:30 p.m.

Investment Credit and Interest Rate Risk

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

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at April 30, 2023, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 10,834	Maintenance tax collections not remitted as of year end
General Fund	Capital Projects Fund	13,243	Bond application fees and construction costs paid by General Fund

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

Fort Bend County Municipal Utility District No. 162
Notes to Financial Statements
April 30, 2023

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended April 30, 2023, is as follows:

	Beginning Balances	Adjustments	Retirements	Ending Balances
Capital assets not being depreciated				
Land and improvements	\$ 1,576,469	\$ 893,038	\$ -	\$ 2,469,507
Construction in progress	1,984,610	4,025,860	(1,400,022)	4,610,448
	<u>3,561,079</u>	<u>4,918,898</u>	<u>(1,400,022)</u>	<u>7,079,955</u>
Capital assets being depreciated				
Infrastructure	20,827,868	3,285,178		24,113,046
Landscaping improvements	1,103,823	396,774		1,500,597
	<u>21,931,691</u>	<u>3,681,952</u>		<u>25,613,643</u>
Less accumulated depreciation				
Infrastructure	(5,000,861)	(573,070)		(5,573,931)
Landscaping improvements	(135,559)	(75,030)		(210,589)
	<u>(5,136,420)</u>	<u>(648,100)</u>		<u>(5,784,520)</u>
Subtotal depreciable capital assets, net	<u>16,795,271</u>	<u>3,033,852</u>		<u>19,829,123</u>
Capital assets, net	<u>\$ 20,356,350</u>	<u>\$ 7,952,750</u>	<u>\$ (1,400,022)</u>	<u>\$ 26,909,078</u>

Depreciation expense for the current year was \$648,100.

The District has contractual commitments for construction projects as follows:

	Contract Amount	Percent Complete
Wastewater Treatment Plant No. 1 Expansion No. 3	\$ 1,379,034	75%
Wastewater Treatment Plant No. 2	5,654,135	19%
Lamar Consolidated Independent School District utility extensions	1,733,774	95%
	<u>\$ 8,766,943</u>	

Note 6 – Due to Developers

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

Fort Bend County Municipal Utility District No. 162
Notes to Financial Statements
April 30, 2023

Note 6 – Due to Developers (continued)

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

Due to developers, beginning of year	\$ 1,853,202
Developer reimbursements	(2,702,545)
Developer funded construction and adjustments	<u>2,473,370</u>
Due to developers, end of year	<u><u>\$ 1,624,027</u></u>

In addition, the District will owe the developers approximately \$22,107,143, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District’s auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount	Percent Complete
Utilities to serve Windstone - Sections 1 and 2	\$ 5,108,537	92%
Utilities to serve Windstone - Section 3	694,515	94%
Windstone detention	3,570,527	83%
Windstone pump station	1,776,982	31%
Still Creek Ranch, Phase 2 detention	574,900	82%
Utilities to serve Still Creek Ranch - Section 3	1,551,220	89%
Utilities to serve Still Creek Ranch - Section 4	923,917	23%
Arabella Phase 1 detention	3,210,426	88%
Arabella Phase 2 detention	657,430	79%
Arabella powerline detention	179,711	23%
Utilities to serve Arabella - Section 1	1,860,244	89%
Utilities to serve Arabella - Section 2	1,998,734	83%
	<u><u>\$ 22,107,143</u></u>	

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 29,925,000
Unamortized discounts	(62,793)
Unamortized premium	201,464
	<u><u>\$ 30,063,671</u></u>
Due within one year	<u><u>\$ 1,065,000</u></u>

Fort Bend County Municipal Utility District No. 162
Notes to Financial Statements
April 30, 2023

Note 7 – Long-Term Debt (continued)

The District’s bonds payable at April 30, 2023, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2015	\$ 1,495,000	\$ 2,000,000	2.0% - 4.0%	September 1, 2016-2039	September 1, March 1	September 1, 2022
2015A	3,170,000	4,195,000	2.0% - 4.0%	September 1, 2016-2035	September 1, March 1	September 1, 2023
Refunding 2017	3,225,000	4,100,000	2.0% - 3.0%	September 1, 2018-2040	September 1, March 1	September 1, 2024
2017A	1,050,000	1,325,000	2.5% - 4.0%	September 1, 2018-2040	September 1, March 1	September 1, 2024
2020	5,475,000	5,925,000	1.00% - 2.25%	September 1, 2021-2043	September 1, March 1	September 1, 2026
2021	1,900,000	1,995,000	2.00% - 3.00%	September 1, 2022-2037	September 1, March 1	September 1, 2026
Refunding 2021A	5,300,000	5,300,000	2.00% - 3.00%	September 1, 2023-2046	September 1, March 1	September 1, 2027
2023	8,310,000	8,310,000	3.25% - 5.75%	September 1, 2024-2047	September 1, March 1	September 1, 2028
	<u>\$ 29,925,000</u>					

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

At April 30, 2023, the District had \$64,605,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within and for benefiting the District; \$4,325,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing, and improving the parks and recreational facilities; and \$16,345,000 for refunding purposes.

On March 21, 2023, the District issued its \$8,310,000 Series 2023 Unlimited Tax Bonds at a net effective interest rate of 4.382469%. Proceeds of the bonds were used to (1) reimburse developers for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds, (2) to fund the construction of Wastewater Treatment Plant No. 2, and (3) to pay capitalized interest into the Debt Service Fund.

Fort Bend County Municipal Utility District No. 162
Notes to Financial Statements
April 30, 2023

Note 7 – Long-Term Debt (continued)

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

Bonds payable, beginning of year	\$ 22,445,000
Bonds issued	8,310,000
Bonds retired	<u>(830,000)</u>
Bonds payable, end of year	<u><u>\$ 29,925,000</u></u>

As of April 30, 2023, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2024	\$ 1,065,000	\$ 921,785	\$ 1,986,785
2025	1,260,000	906,856	2,166,856
2026	1,280,000	864,769	2,144,769
2027	1,310,000	821,431	2,131,431
2028	1,335,000	776,432	2,111,432
2029	1,360,000	731,340	2,091,340
2030	1,390,000	686,353	2,076,353
2031	1,415,000	643,110	2,058,110
2032	1,445,000	601,679	2,046,679
2033	1,480,000	558,516	2,038,516
2034	1,495,000	512,922	2,007,922
2035	1,510,000	467,414	1,977,414
2036	1,520,000	423,214	1,943,214
2037	1,295,000	381,538	1,676,538
2038	1,310,000	342,014	1,652,014
2039	1,245,000	301,964	1,546,964
2040	1,265,000	261,614	1,526,614
2041	1,170,000	222,764	1,392,764
2042	950,000	189,076	1,139,076
2043	995,000	157,755	1,152,755
2044	1,020,000	125,051	1,145,051
2045	720,000	94,984	814,984
2046	745,000	67,508	812,508
2047	770,000	38,971	808,971
2048	575,000	12,219	587,219
	<u><u>\$ 29,925,000</u></u>	<u><u>\$ 11,111,279</u></u>	<u><u>\$ 41,036,279</u></u>

Note 8 – Property Taxes

On November 8, 2005, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

Fort Bend County Municipal Utility District No. 162
Notes to Financial Statements
April 30, 2023

Note 8 – Property Taxes (continued)

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

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2023 fiscal year was financed through the 2022 tax levy, pursuant to which the District levied property taxes of \$1.12 per \$100 of assessed value, of which \$0.335 was allocated to maintenance and operations and \$0.785 was allocated to debt service. The resulting tax levy was \$3,121,396 on the adjusted taxable value of \$278,696,062.

Total property taxes receivable, at April 30, 2023, consisted of the following:

Current year taxes receivable	\$ 33,261
Prior years taxes receivable	218
	<u>33,479</u>
Penalty and interest receivable	3,678
Total property taxes receivable	<u><u>\$ 37,157</u></u>

Note 9 – Water Supply and Wastewater Agreement

On June 7, 2005, LGI, on behalf of the District, entered into an agreement with the City of Rosenberg (the “City”) to supply water and wastewater services on a permanent basis to the District. The agreement was assigned to the District on November 21, 2005 and was amended and restated on March 6, 2018, July 3, 2018, August 21, 2018, June 18, 2019, September 15, 2020, August 3, 2021 and July 5, 2022. Should additional annexations occur, this agreement will need to be amended and restated to account for additional connections. Pursuant to the agreement, the District has constructed a 1,500 gallons per minute water well with an adequately sized plant. Also pursuant to the agreement, the District will participate in the construction of a regional wastewater treatment plant in the future should the City construct such facility. The City has purchased land for the regional wastewater treatment plant but has no current plans to construct. Currently, the District serves its residents with wastewater services through a pre-packaged 0.3 MGD plant. The District plans to construct a .15 MGD expansion to bring the total capacity to .45 MGD. Under the agreement, the District provides up to 2,792 equivalent single family connections of water supply and wastewater services.

Note 10 – Groundwater Reduction Plan Participation Agreement

The Texas Legislature created the Fort Bend Subsidence District in order to regulate groundwater pumping, and the Subsidence District adopted a regulatory plan that certain water well permit holders, including the District, must reduce groundwater usage, either individually or by participating in a group. To satisfy this mandate, on May 5, 2009, the District and the City of Rosenberg (the “City”) entered into a Groundwater Reduction Plan Participation Agreement (the “Plan”). Approximately 137 acres annexed into the District under construction for the Lamar Consolidated Independent School District (“LCISD”) high school and middle school complex is within the boundaries of the Subsidence District and within the boundaries of the North Fort Bend Water Authority (the “Authority”), and is included within the Authority’s groundwater reduction plan. While the District’s water wells are not located within the boundaries of the Authority, the water imported into the portion of the District owned by LCISD is subject to Authority import fees, which will be passed through to LCISD.

The Plan states that the City will be the administrator and is responsible for producing and submitting a plan to the Subsidence District conforming to the minimum requirements. The City also agrees to pay all costs associated with the plan with future bond proceeds issued by the City.

The District agrees to pay the City a surface water fee based on water pumped by the District at the rate of which the City charges to its customers. Effective January 1, 2020, the GRP rate is \$2.60 per 1,000 gallons of groundwater pumped from the District’s well. The District passes this fee, plus a 25% surcharge, on to its customers. The plan will remain in effect as long as the regulatory plan for surface water conversion is in effect. As of April 30, 2023, the District has recorded \$362,875 in revenues and \$326,765 in expenditures pursuant to this agreement.

Note 11 – Fire Protection Agreement

On July 18, 2007, as amended on various dates, the District entered into a Fire Protection Agreement (the “Agreement”) with the City to provide fire protection services to residents of the District. Effective January 1, 2014, the District pays the City a charge of \$20 per residential property and \$20 per 2,000 square feet on each improved nonresidential property that is connected to public water supply system. During the current fiscal year, the District paid the City \$258,120 for fire protection services. Portions of the District are located outside the boundaries of the City’s fire protection plan and are situated within the boundaries of Fort Bend County Emergency Services District No. 6 (“ESD”). Landowners located within the ESD pay a separate tax for fire protection services and do not pay the City fire charge.

Note 12 – Reinvestment Zone Development Agreement

A portion of the District lies within the boundaries of the Fort Bend County Reinvestment Zone No. 1 (the “TIRZ”) which was established by the Fort Bend County in May 2022. The District shall assist the County and the Zone in the implementation of the TIRZ Plan, which shall include the design and construction of certain TIRZ Projects. The base taxable assessed value of land within the TIRZ is established when the TIRZ is created. Any incremental growth in the taxable assessed value over the base is considered a “tax increment.” The tax increment fund shall be comprised of payments from the County equaling 75% of the County’s collected tax increment generated by the Zone. The purpose of the TIRZ is to fund various public works and improvements contained in the TIRZ Plan.

Note 13 – Interlocal Agreement with Fort Bend County

On September 5, 2014, the District entered into an Interlocal Agreement for Additional Law Enforcement Services with Fort Bend County for the purpose of providing security services to the District. On or about September 15, 2022, the District renewed the Interlocal Agreement with Fort Bend County. The agreement expires on September 30, 2023 and may be terminated by either party with 30 days written notice. If the agreement expires before a new agreement is executed, services will continue on a month-to-month basis. The billing rate is amended annually based on the County’s constable budget. For the current year, the District paid \$220,113 for security services.

Note 14 – Tri-Party Agreement

The District, Fort Bend County Reinvestment Zone No. 1 (the “TIRZ”), and Fort Bend County (the “County”), entered into a Tri-Party Agreement on October 25, 2022, related to the use and administration of tax revenues generated by the TIRZ (the “Tri-Party Agreement”). A total of approximately 4,075 acres were designated by the County as the TIRZ in 2022. The base tax year for the TIRZ is 2022. The District is entirely located within the TIRZ.

Seventy-five percent (75%) of the Tax Increment (as defined below) generated in the TIRZ by the County will be transmitted to the District to finance, construct, operate, and/or maintain certain public infrastructure within the TIRZ. These revenues may be used by the District to directly fund TIRZ projects, to reimburse the advance funding of a TIRZ project, or to be used as security for contract revenue bonds. Should the District issue contract revenue bonds secured by revenues received from the TIRZ, such bonds would be limited obligations of the District payable solely from TIRZ revenues and are not obligations of the City, the County, the TIRZ, the State of Texas, or any entity other than the District.

The TIRZ revenues are generated solely from the County’s ad valorem taxes levied within the TIRZ and are wholly separate and apart from the District’s taxing authority. The TIRZ has not yet generated any revenues to date.

Fort Bend County Municipal Utility District No. 162
Notes to Financial Statements
April 30, 2023

Note 15 – Developer Escrow Deposits

As of April 30, 2023, the District had \$237,655 in escrow deposits pursuant to an advance funding agreement with Ernest Mahlmann for construction costs related to the extension of certain District facilities to develop tracts. These amounts are reported as “Developer escrow deposits” on the *Statement of Net Position*.

Note 16 – Service Agreement with Lamar Consolidated Independent School District

The District has entered into various service agreements with Lamar Consolidated Independent School District (“LCISD”) for construction costs related to the construction certain facilities necessary to serve a 28-acre tract. Pursuant to the agreements, LCISD is responsible for paying its pro-rata share of the actual costs necessary to construction the facilities necessary to serve the tract. During the current year, LCISD paid the District \$2,133,271 in capital recovery fees.

Note 17 – Advanced Funding Agreement with Beazar Homes

On April 7, 2022, the District entered into an advance funding agreement with Beazar Homes (“Beazar”) for construction of water, drainage, and detention facilities. The total cost of the facilities is approximately \$1,679,635, of which Beazar is responsible for \$487,028 based on its pro rata share of the facilities. Pursuant to the agreement, Beazar advanced \$487,028 to the District.

Note 18 – Risk Management

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

Note 19 – Subsequent Event

On August 9, 2023, the District submitted an application to TCEQ for the issuance of park bonds in the amount of \$2,000,000. If approved, the park bonds will be used to fund the construction of recreational projects which include trail enhancements, trailheads, park improvements, crosswalks, and engineering fees.

Required Supplementary Information

*Fort Bend County Municipal Utility District No. 162
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund
 For the Year Ended April 30, 2023*

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water service	\$ 456,400	\$ 466,618	\$ 10,218
Sewer service	822,400	858,693	36,293
Property taxes	807,108	926,673	119,565
Penalties and interest	32,900	41,071	8,171
Tap connection and inspection	116,000	68,768	(47,232)
Fire protection services	283,300	261,662	(21,638)
Surface water	346,100	362,875	16,775
Miscellaneous	83,700	113,827	30,127
Investment earnings	9,496	79,970	70,474
Total Revenues	2,957,404	3,180,157	222,753
Expenditures			
Current service operations			
Professional fees	291,500	379,194	(87,694)
Contracted services	739,300	855,086	(115,786)
Repairs and maintenance	622,700	710,023	(87,323)
Smart meter installation	183,000	29,740	153,260
Utilities	200,000	175,501	24,499
Fire protection services	283,536	258,120	25,416
Surface water	346,100	326,765	19,335
Administrative	127,350	130,479	(3,129)
Other	80,555	54,027	26,528
Capital outlay	150,000	1,964,296	(1,814,296)
Total Expenditures	3,024,041	4,883,231	(1,859,190)
Revenues Under Expenditures	(66,637)	(1,703,074)	(1,636,437)
Other Item			
Capital recovery fees		2,133,271	2,133,271
Net Change in Fund Balance	(66,637)	430,197	496,834
Fund Balance			
Beginning of the year	2,517,438	2,517,438	
End of the year	\$ 2,450,801	\$ 2,947,635	\$ 496,834

Fort Bend County Municipal Utility District No. 162
Notes to Required Supplementary Information
April 30, 2023

Budgets and Budgetary Accounting

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

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Texas Supplementary Information

Fort Bend County Municipal Utility District No. 162
TSI-1. Services and Rates
April 30, 2023

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

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

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels	
Water:	\$ 14.00	2,000	N	\$ 2.65	2,001	to 5,000
				\$ 2.72	5,001	to 10,000
				\$ 2.81	10,001	to 20,000
				\$ 2.97	20,001	to no limit
Wastewater:	\$ 42.30	2,000	N	\$ 2.33	2,000	to 5,000
				\$ 2.49	5,001	to 10,000
				\$ 2.65	10,001	to no limit
Surface water:	\$ 3.25	-0-	N	\$ 3.25	1,000	to no limit

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water \$ 68.05 Wastewater \$ 61.74

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
less than 3/4"	1,354	1,346	x 1.0	1,346
1"	5	4	x 2.5	10
1.5"	4	4	x 5.0	20
2"	19	18	x 8.0	144
3"			x 15.0	
4"	3	3	x 25.0	75
6"			x 50.0	
8"	3	3	x 80.0	240
10"			x 115.0	
Total Water	1,388	1,378		1,835
Total Wastewater	1,373	1,364	x 1.0	1,364

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 162
TSI-1. Services and Rates
April 30, 2023

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

Gallons pumped into system:	<u>127,246,000</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>119,484,000</u>	(Gallons billed / Gallons pumped)
		<u>93.90%</u>

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

Does the District have Debt Service standby fees? Yes No

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

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

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

5. Location of District

Is the District located entirely within one county? Yes No

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

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

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

Is the District located within a city's extra territorial jurisdiction (ETJ)?
Entirely Partly Not at all

ETJs in which the District is located: City of Rosenberg

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

If Yes, by whom? _____

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 162
TSI-2 General Fund Expenditures
For the Year Ended April 30, 2023*

Professional fees	
Legal	\$ 216,724
Audit	13,200
Engineering	149,270
	<u>379,194</u>
Contracted services	
Bookkeeping	71,061
Operator	53,906
Tap connection and inspection	72,393
Appraisal district fees	20,314
Sludge removal	58,640
Garbage collection	337,947
Security services	220,113
Storm water management	20,712
	<u>855,086</u>
Repairs and maintenance	<u>710,023</u>
Smart meter installation	<u>29,740</u>
Utilities	<u>175,501</u>
Fire protection services	<u>258,120</u>
Surface water	<u>326,765</u>
Administrative	
Directors fees	25,050
Printing and office supplies	28,953
Insurance	24,897
Other	51,579
	<u>130,479</u>
Other	<u>54,027</u>
Capital outlay	<u>1,964,296</u>
Total expenditures	<u>\$ 4,883,231</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 162
TSI-3. Investments
April 30, 2023

Fund	Interest Rate	Maturity Date	Balance at End of Year	Interest Receivable
General				
TexPool	Variable	N/A	\$ 3,256,012	\$ -
TexPool	Variable	N/A	234,138	
Certificate of deposit	4.94%	03/15/24	235,000	1,431
			<u>3,725,150</u>	<u>1,431</u>
Debt Service				
TexPool	Variable	N/A	2,680,024	
TexPool	Variable	N/A	37,488	
Certificates of deposit	3.50%	10/12/23	240,000	4,603
			<u>2,957,512</u>	<u>4,603</u>
Capital Projects				
TexPool	Variable	N/A	17,615	
TexPool	Variable	N/A	1,167,409	
TexPool	Variable	N/A	23,562	
TexPool	Variable	N/A	5,415,642	
			<u>6,624,228</u>	
Total - All Funds			<u>\$ 13,306,890</u>	<u>\$ 6,034</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 162
TSI-4. Taxes Levied and Receivable
April 30, 2023

	Maintenance Taxes	Debt Service Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 3,092	\$ 6,291	\$ 9,383	
Adjustments	(55)	(80)	(135)	
Adjusted Receivable	3,037	6,211	9,248	
2022 Original Tax Levy	920,389	2,156,733	3,077,122	
Adjustments	13,243	31,031	44,274	
Adjusted Tax Levy	933,632	2,187,764	3,121,396	
Total to be accounted for	936,669	2,193,975	3,130,644	
Tax collections:				
Current year	923,683	2,164,452	3,088,135	
Prior years	2,976	6,054	9,030	
Total Collections	926,659	2,170,506	3,097,165	
Taxes Receivable, End of Year	\$ 10,010	\$ 23,469	\$ 33,479	
Taxes Receivable, By Years				
2022	\$ 9,949	\$ 23,312	\$ 33,261	
2021	39	78	117	
2020	22	79	101	
Taxes Receivable, End of Year	\$ 10,010	\$ 23,469	\$ 33,479	
	2022	2021	2020	2019
Property Valuations:				
Land	\$ 47,962,230	\$ 42,688,200	\$ 34,211,210	\$ 30,246,990
Improvements	395,274,603	198,744,288	148,147,129	126,295,070
Personal Property	1,581,240	1,358,410	1,114,750	988,220
Exemptions	(166,122,011)	(48,187,142)	(16,200,485)	(3,348,203)
Total Property Valuations	\$ 278,696,062	\$ 194,603,756	\$ 167,272,604	\$ 154,182,077
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.335	\$ 0.37	\$ 0.36	\$ 0.465
Debt service tax rates	0.785	0.75	0.74	0.625
	\$ 1.120	\$ 1.12	\$ 1.10	\$ 1.090
Adjusted Tax Levy:	\$ 3,121,396	\$ 2,179,562	\$ 1,839,999	\$ 1,680,585
Percentage of Taxes Collected to Taxes Levied **	98.93%	99.99%	99.99%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on November 8, 2005

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

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 162
 TSI-5. Long-Term Debt Service Requirements
 Series 2015--by Years
 April 30, 2023*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2024	\$ 75,000	\$ 52,125	\$ 127,125
2025	75,000	49,875	124,875
2026	75,000	47,625	122,625
2027	75,000	45,375	120,375
2028	75,000	43,125	118,125
2029	75,000	40,734	115,734
2030	75,000	38,203	113,203
2031	75,000	35,672	110,672
2032	75,000	33,047	108,047
2033	75,000	30,328	105,328
2034	75,000	27,609	102,609
2035	110,000	24,188	134,188
2036	110,000	20,063	130,063
2037	110,000	15,800	125,800
2038	110,000	11,400	121,400
2039	115,000	6,900	121,900
2040	115,000	2,300	117,300
	<u>\$ 1,495,000</u>	<u>\$ 524,369</u>	<u>\$ 2,019,369</u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 162
 TSI-5. Long-Term Debt Service Requirements
 Series 2015A Refunding--by Years
 April 30, 2023*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2024	\$ 215,000	\$ 122,500	\$ 337,500
2025	225,000	113,700	338,700
2026	235,000	104,500	339,500
2027	245,000	94,900	339,900
2028	260,000	84,800	344,800
2029	270,000	74,200	344,200
2030	280,000	63,200	343,200
2031	290,000	51,800	341,800
2032	305,000	39,900	344,900
2033	325,000	27,300	352,300
2034	330,000	14,200	344,200
2035	95,000	5,700	100,700
2036	95,000	1,900	96,900
	<u>\$ 3,170,000</u>	<u>\$ 798,600</u>	<u>\$ 3,968,600</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 162
TSI-5. Long-Term Debt Service Requirements
Series 2017--by Years
April 30, 2023

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2024	\$ 175,000	\$ 96,212	\$ 271,212
2025	175,000	91,837	266,837
2026	175,000	87,462	262,462
2027	180,000	83,025	263,025
2028	180,000	78,075	258,075
2029	180,000	72,675	252,675
2030	180,000	67,275	247,275
2031	180,000	61,875	241,875
2032	180,000	56,475	236,475
2033	180,000	51,075	231,075
2034	180,000	45,450	225,450
2035	180,000	39,600	219,600
2036	180,000	33,750	213,750
2037	180,000	27,900	207,900
2038	180,000	21,938	201,938
2039	180,000	15,750	195,750
2040	180,000	9,450	189,450
2041	180,000	3,150	183,150
	<u>\$ 3,225,000</u>	<u>\$ 942,974</u>	<u>\$ 4,167,974</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 162
TSI-5. Long-Term Debt Service Requirements
Series 2017A--by Years
April 30, 2023

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2024	\$ 55,000	\$ 30,550	\$ 85,550
2025	55,000	29,450	84,450
2026	55,000	28,213	83,213
2027	55,000	26,837	81,837
2028	55,000	25,463	80,463
2029	55,000	24,087	79,087
2030	60,000	22,500	82,500
2031	60,000	20,700	80,700
2032	60,000	18,900	78,900
2033	60,000	17,100	77,100
2034	60,000	15,225	75,225
2035	60,000	13,275	73,275
2036	60,000	11,325	71,325
2037	60,000	9,375	69,375
2038	60,000	7,350	67,350
2039	60,000	5,250	65,250
2040	60,000	3,150	63,150
2041	60,000	1,050	61,050
	<u>\$ 1,050,000</u>	<u>\$ 309,800</u>	<u>\$ 1,359,800</u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 162
 TSI-5. Long-Term Debt Service Requirements
 Series 2020--by Years
 April 30, 2023*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2024	\$ 225,000	\$ 109,250	\$ 334,250
2025	225,000	105,875	330,875
2026	225,000	101,375	326,375
2027	225,000	96,875	321,875
2028	225,000	92,375	317,375
2029	225,000	87,875	312,875
2030	225,000	83,375	308,375
2031	225,000	78,875	303,875
2032	225,000	74,375	299,375
2033	225,000	69,875	294,875
2034	225,000	65,375	290,375
2035	275,000	60,375	335,375
2036	275,000	54,875	329,875
2037	300,000	49,125	349,125
2038	300,000	43,125	343,125
2039	300,000	36,938	336,938
2040	300,000	30,563	330,563
2041	300,000	24,188	324,188
2042	300,000	17,813	317,813
2043	325,000	10,968	335,968
2044	325,000	3,655	328,655
	<u>\$ 5,475,000</u>	<u>\$ 1,297,125</u>	<u>\$ 6,772,125</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 162
TSI-5. Long-Term Debt Service Requirements
Series 2021 Refunding--by Years
April 30, 2023

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2024	\$ 100,000	\$ 41,600	\$ 141,600
2025	100,000	38,600	138,600
2026	100,000	35,600	135,600
2027	105,000	32,525	137,525
2028	105,000	29,375	134,375
2029	110,000	26,700	136,700
2030	110,000	24,500	134,500
2031	115,000	22,250	137,250
2032	115,000	19,950	134,950
2033	120,000	17,600	137,600
2034	115,000	15,250	130,250
2035	265,000	11,450	276,450
2036	260,000	6,200	266,200
2037	90,000	2,700	92,700
2038	90,000	900	90,900
	<u>\$ 1,900,000</u>	<u>\$ 325,200</u>	<u>\$ 2,225,200</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 162
TSI-5. Long-Term Debt Service Requirements
Series 2021A--by Years
April 30, 2023

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2024	\$ 220,000	\$ 131,425	\$ 351,425
2025	220,000	124,825	344,825
2026	220,000	118,225	338,225
2027	220,000	111,625	331,625
2028	220,000	105,025	325,025
2029	220,000	99,525	319,525
2030	220,000	95,125	315,125
2031	220,000	90,725	310,725
2032	220,000	86,188	306,188
2033	220,000	81,513	301,513
2034	220,000	76,700	296,700
2035	220,000	71,613	291,613
2036	220,000	66,388	286,388
2037	220,000	61,025	281,025
2038	220,000	55,388	275,388
2039	220,000	49,613	269,613
2040	220,000	43,838	263,838
2041	220,000	38,063	258,063
2042	220,000	32,288	252,288
2043	220,000	26,512	246,512
2044	225,000	20,671	245,671
2045	225,000	14,765	239,765
2046	225,000	8,858	233,858
2047	225,000	2,952	227,952
	<u>\$ 5,300,000</u>	<u>\$ 1,612,875</u>	<u>\$ 6,912,875</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 162
TSI-5. Long-Term Debt Service Requirements
Series 2023--by Years
April 30, 2023

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2024	\$ -	\$ 338,123	\$ 338,123
2025	185,000	352,694	537,694
2026	195,000	341,769	536,769
2027	205,000	330,269	535,269
2028	215,000	318,194	533,194
2029	225,000	305,544	530,544
2030	240,000	292,175	532,175
2031	250,000	281,213	531,213
2032	265,000	272,844	537,844
2033	275,000	263,725	538,725
2034	290,000	253,113	543,113
2035	305,000	241,213	546,213
2036	320,000	228,713	548,713
2037	335,000	215,613	550,613
2038	350,000	201,913	551,913
2039	370,000	187,513	557,513
2040	390,000	172,313	562,313
2041	410,000	156,313	566,313
2042	430,000	138,975	568,975
2043	450,000	120,275	570,275
2044	470,000	100,725	570,725
2045	495,000	80,219	575,219
2046	520,000	58,650	578,650
2047	545,000	36,019	581,019
2048	575,000	12,219	587,219
	<u>\$ 8,310,000</u>	<u>\$ 5,300,336</u>	<u>\$ 13,610,336</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 162
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
April 30, 2023

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2024	\$ 1,065,000	\$ 921,785	\$ 1,986,785
2025	1,260,000	906,856	2,166,856
2026	1,280,000	864,769	2,144,769
2027	1,310,000	821,431	2,131,431
2028	1,335,000	776,432	2,111,432
2029	1,360,000	731,340	2,091,340
2030	1,390,000	686,353	2,076,353
2031	1,415,000	643,110	2,058,110
2032	1,445,000	601,679	2,046,679
2033	1,480,000	558,516	2,038,516
2034	1,495,000	512,922	2,007,922
2035	1,510,000	467,414	1,977,414
2036	1,520,000	423,214	1,943,214
2037	1,295,000	381,538	1,676,538
2038	1,310,000	342,014	1,652,014
2039	1,245,000	301,964	1,546,964
2040	1,265,000	261,614	1,526,614
2041	1,170,000	222,764	1,392,764
2042	950,000	189,076	1,139,076
2043	995,000	157,755	1,152,755
2044	1,020,000	125,051	1,145,051
2045	720,000	94,984	814,984
2046	745,000	67,508	812,508
2047	770,000	38,971	808,971
2048	575,000	12,219	587,219
	<u>\$ 29,925,000</u>	<u>\$ 11,111,279</u>	<u>\$ 41,036,279</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 162
TSI-6. Change in Long-Term Bonded Debt
April 30, 2023

	Bond Issue			
	Series 2015	Series 2015A Refunding	Series 2017	Series 2017A
Interest rate	2.0% - 4.0%	2.0% - 4.0%	2.0% - 3.0%	2.5% - 4.0%
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1
Maturity dates	9/1/16 - 9/1/39	9/1/16 - 9/1/35	9/1/18 - 9/1/40	9/1/18 - 9/1/40
Beginning bonds outstanding	\$ 1,570,000	\$ 3,375,000	\$ 3,400,000	\$ 1,105,000
Bonds issued				
Bonds retired	<u>(75,000)</u>	<u>(205,000)</u>	<u>(175,000)</u>	<u>(55,000)</u>
Ending bonds outstanding	<u>\$ 1,495,000</u>	<u>\$ 3,170,000</u>	<u>\$ 3,225,000</u>	<u>\$ 1,050,000</u>
Interest paid during fiscal year	<u>\$ 54,375</u>	<u>\$ 129,875</u>	<u>\$ 100,150</u>	<u>\$ 31,925</u>
Paying agent's name and city				
All other series	<u>The Bank of New York Mellon Trust Company, N.A., Dallas, Texas</u>			
Series 2010	<u>Wells Fargo Bank, N.A., Houston, Texas</u>			
Bond Authority:	Water, Sewer and Drainage Bonds	Park and Recreational Bonds	Refunding Bonds	
Amount Authorized by Voters	<u>\$ 97,735,000</u>	<u>\$ 5,650,000</u>	<u>\$ 16,645,000</u>	
Amount Issued	<u>(33,130,000)</u>	<u>(1,325,000)</u>	<u>(300,000)</u>	
Remaining To Be Issued	<u>\$ 64,605,000</u>	<u>\$ 4,325,000</u>	<u>\$ 16,345,000</u>	

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

Debt Service Fund cash and investment balances as of April 30, 2023: \$ 2,957,512

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,641,451

See accompanying auditors' report.

Bond Issue

Series 2020	Series 2021 Refunding	Series 2021A	2023	Totals
1.00% - 2.25%	2.00% - 3.00%	2.00% - 3.00%	3.25% - 5.75%	
9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1	
9/1/21 -	9/1/22 -	9/1/23 -	9/1/24 -	
9/1/43	9/1/37	9/1/46	9/1/47	
\$ 5,700,000	\$ 1,995,000	\$ 5,300,000	\$ -	\$ 22,445,000
			8,310,000	8,310,000
(225,000)	(95,000)			(830,000)
\$ 5,475,000	\$ 1,900,000	\$ 5,300,000	\$ 8,310,000	\$ 29,925,000
\$ 111,500	\$ 44,525	\$ 134,725	\$ -	\$ 607,075

Fort Bend County Municipal Utility District No. 162
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2023	2022	2021	2020	2019
Revenues					
Water service	\$ 466,618	\$ 426,267	\$ 332,141	\$ 264,125	\$ 233,622
Sewer service	858,693	731,868	567,999	484,456	451,916
Property taxes	926,673	723,252	600,188	718,505	629,248
Penalties and interest	41,071	30,184	20,866	27,413	32,691
Tap connection and inspection	68,768	259,804	362,975	200,834	
Fire protection services	261,662	263,333	230,524	230,512	236,955
Surface water	362,875	318,727	251,213	177,067	164,270
Miscellaneous	113,827	71,429	82,580	49,381	48,685
Investment earnings	79,970	8,604	16,444	50,143	47,302
Total Revenues	3,180,157	2,833,468	2,464,930	2,202,436	1,844,689
Expenditures					
Current service operations					
Professional fees	379,194	372,383	342,476	321,972	265,260
Contracted services	855,086	564,841	496,022	551,341	354,718
Repairs and maintenance	710,023	730,321	516,053	430,231	400,152
Smart meter installation	29,740	485,704			
Utilities	175,501	159,027	72,959	74,823	77,133
Fire protection services	258,120	255,740	234,300	234,100	233,520
Surface water	326,765	303,945	240,022	193,122	155,800
Administrative	130,479	99,138	92,866	96,526	75,347
Other	54,027	62,952	43,931	74,618	33,346
Capital outlay	1,964,296	981,711	321,928	42,077	
Debt service					
Developer interest		569			
Total Expenditures	4,883,231	4,016,331	2,360,557	2,018,810	1,595,276
Revenues Over/(Under) Expenditures	\$ (1,703,074)	\$ (1,182,863)	\$ 104,373	\$ 183,626	\$ 249,413

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2023	2022	2021	2020	2019
15%	13%	12%	13%	16%
27%	23%	22%	24%	27%
29%	25%	34%	34%	31%
1%	1%	1%	2%	2%
2%	15%	9%		
8%	9%	10%	13%	13%
11%	10%	8%	9%	9%
4%	3%	2%	3%	1%
3%	1%	2%	2%	1%
100%	100%	100%	100%	100%

12%	13%	14%	15%	14%
27%	20%	20%	25%	19%
22%	26%	21%	20%	22%
6%	6%	3%	3%	4%
8%	9%	10%	11%	13%
10%	11%	10%	9%	8%
4%	3%	4%	4%	4%
2%	2%	2%	3%	2%
62%	35%	13%	2%	

153%	125%	97%	92%	86%
(53%)	(25%)	3%	8%	14%

Fort Bend County Municipal Utility District No. 162
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Five Fiscal Years

	Amounts				
	2023	2022	2021	2020	2019
Revenues					
Property taxes	\$ 2,170,538	\$ 1,470,288	\$ 1,231,868	\$ 963,065	\$ 966,943
Penalties and interest	3,838	6,280	3,419	3,816	1,926
Miscellaneous	21	6	22		2,113
Investment earnings	59,767	2,749	6,586	27,709	23,512
Total Revenues	<u>2,234,164</u>	<u>1,479,323</u>	<u>1,241,895</u>	<u>994,590</u>	<u>994,494</u>
Expenditures					
Other		120			
Debt service					
Principal	830,000	805,000	570,000	565,000	545,000
Interest and fees	612,325	542,368	494,230	459,521	473,437
Debt issuance costs		118,719			
Total Expenditures	<u>1,442,325</u>	<u>1,466,207</u>	<u>1,064,230</u>	<u>1,024,521</u>	<u>1,018,437</u>
Revenues Over/(Under) Expenditures	<u>\$ 791,839</u>	<u>\$ 13,116</u>	<u>\$ 177,665</u>	<u>\$ (29,931)</u>	<u>\$ (23,943)</u>
Total Active Retail Water Connections	<u>1,378</u>	<u>1,305</u>	<u>1,220</u>	<u>1,027</u>	<u>973</u>
Total Active Retail Wastewater Connections	<u>1,364</u>	<u>1,293</u>	<u>1,210</u>	<u>1,020</u>	<u>963</u>

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2023	2022	2021	2020	2019
97%	100%	99%	97%	98%
*	*	*	*	*
*	*	*		*
3%	*	1%	3%	2%
100%	100%	100%	100%	100%

37%	54%	46%	57%	55%
27%	37%	40%	46%	48%
	8%			
64%	99%	86%	103%	103%
36%	1%	14%	(3%)	(3%)

Fort Bend County Municipal Utility District No. 162
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended April 30, 2023

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600 Houston, TX 77027
 District Business Telephone Number: (713) 860-6400
 Submission Date of the most recent District Registration Form
 (TWC Sections 36.054 and 49.054): April 24, 2023
 Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
 (Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid*	Expense Reimburse- ments	Title at Year End
Board Members				
Dale Clayton	5/20 - 5/24	\$ 4,650	\$ 3,379	President
Michael Gutierrez	5/20 - 5/24	5,100	3,119	Vice President
Elvira Garcia	5/22 - 5/26	4,800	3,049	Assistant Vice President
Floyd Martinez	5/22 - 5/26	5,100	2,077	Secretary
Gary Braxton	5/20 - 5/24	5,400	2,003	Assistant Secretary
Consultants				
		<u>Amounts Paid</u>		
Allen Boone Humphries Robinson LLP <i>General legal fees</i> <i>Bond counsel</i>	2006	\$ 257,751		Attorney
		214,543		
Si Environmental, LLC	2013	568,767		Operator
Municipal Accounts & Consulting LP	2018	66,103		Bookkeeper
Fort Bend County	2014			Tax Collector
Fort Bend Central Appraisal District	Legislation	19,489		Property Valuation
Perdue Brandon Fielder Collins & Mott, LLP	2006			Delinquent Tax Attorney
McGrath & Co., PLLC	2011	22,950		Auditor
Masterson Advisors, LLC	2018	153,631		Financial Advisor
Odyssey Engineering Group	2016	710,468		Engineer
GreenScape Associates	2014	206,724		Landscape Maintenance
TBG Partners	2021	23,310		Landscape Architect
Touchstone District Services	2021	13,910		Webmaster

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

APPENDIX B

Specimen Municipal Bond Insurance Policy



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

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