

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 1, 2021

This PRELIMINARY OFFICIAL STATEMENT is subject to completion and amendment. Upon sale of the Bonds, the OFFICIAL STATEMENT will be completed and delivered to the Underwriter.

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND INTEREST ON THE BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS. SEE "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

THE BONDS WILL BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "TAX MATTERS—QUALIFIED TAX-EXEMPT OBLIGATIONS."

NEW ISSUE-Book-Entry Only

Underlying Rating: Moody's "Baa2"
See "MUNICIPAL BOND RATING AND
MUNICIPAL BOND INSURANCE" herein.

\$2,045,000*

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 162 *(A political subdivision of the State of Texas located within Fort Bend County)* **UNLIMITED TAX REFUNDING BONDS** **SERIES 2021**

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 SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See "INVESTMENT CONSIDERATIONS."

Dated Date: June 1, 2021

Due: September 1, as shown below

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 June 1, 2021, and is payable each September 1 and March 1, commencing September 1, 2021, 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."

MATURITY SCHEDULE

Principal Amount*	Maturity (September 1)	CUSIP Number (b)	Interest Rate	Initial Reoffering Yield (a)	Principal Amount*	Maturity (September 1)	CUSIP Number (b)	Interest Rate	Initial Reoffering Yield (a)
\$ 95,000	2022		%	%	\$ 120,000	2030 (c)		%	%
100,000	2023				120,000	2031 (c)			
100,000	2024				120,000	2032 (c)			
105,000	2025				120,000	2033 (c)			
110,000	2026				265,000	2034 (c)			
110,000	2027				265,000	2035 (c)			
115,000	2028 (c)				90,000	2036 (c)			
115,000	2029 (c)				95,000	2037 (c)			

- (a) 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 may be subsequently changed by the Underwriter and is the sole responsibility of the Underwriter. The initial reoffering yields indicated above represent the lower of the yields resulting when priced at maturity or to the first call date. Accrued interest from June 1, 2021, is to be added to the price.
- (b) CUSIP Numbers have been assigned to the Bonds by CUSIP Service Bureau 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) Bonds maturing on and after September 1, 2028, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2027, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. See "THE BONDS—Redemption Provisions."

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, Bond Counsel. See "LEGAL MATTERS." Certain legal matters will be reviewed by McCall, Parkhurst & Horton L.L.P., Houston, Texas, as Underwriter's Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about June 3, 2021.

RAYMOND JAMES

*Preliminary; subject to change.

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USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, as amended and in effect on the date hereof, this document constitutes an Official Statement with respect to the Bonds that has been “deemed final” by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

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 representation 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, 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, 3200 Southwest Freeway, Suite 2600, Houston, Texas, 77027-7528 upon payment of the costs of duplication therefor.

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 THE OFFICIAL STATEMENT—Updating the Official Statement.”

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

The Bonds are being purchased by Raymond James & Associates, Inc. (the “Underwriter”) pursuant to a bond purchase agreement with the District (the “Bond Purchase Agreement”) at a price of \$ _____ (representing the par amount of the Bonds of \$ _____, plus/minus a net premium/discount on the Bonds of \$ _____, less an Underwriter’s discount of \$ _____) plus accrued interest. The Underwriter’s obligation is to purchase all of the Bonds, if any are purchased. See “PLAN OF FINANCING—Sources and Uses of Funds.”

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

Prices and Marketability

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

The District has no control over 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; nor have the Bonds 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.

INFECTIOUS DISEASE OUTLOOK (COVID-19)

General...

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the “Pandemic”), which is currently affecting many parts of the world, including the United States and Texas. As described herein under “INVESTMENT CONSIDERATIONS—Infectious Disease Outlook (COVID-19)”, federal, state and local governments have all taken actions to respond to the Pandemic, including disaster declarations by both the President of the United States and the Governor of Texas. Such actions are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.

Impact...

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas.

Such adverse economic conditions, if they continue, could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values within the District. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District’s share of operations and maintenance expenses payable from ad valorem taxes.

While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District’s operations and financial condition or its ratings. See “MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE.”. The financial and operating data contained herein are the latest available, but are as of dates and for periods partially prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the economic impact of the Pandemic on the District’s financial condition. See “INVESTMENT CONSIDERATIONS—Infectious Disease Outlook (COVID-19).”

EXTREME WEATHER EVENTS; HURRICANE HARVEY

General...

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms, hurricanes and winter storms. 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.

Impact on the District...

According to Si Environmental, LLC (the “Operator”) and Odyssey Engineering Group, LLC (the “Engineer”), the District’s water and sewer system did not sustain any material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. Further, the District did not receive any reports of homes within the District that 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 the District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected. See "INVESTMENT CONSIDERATIONS—Extreme Weather Events; Hurricane Harvey."

THE DISTRICT

<i>Description...</i>	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 annexed approximately 42 acres of land on March 13, 2018, approximately 66 acres of land on August 14, 2018, approximately 137 acres of land on July 1, 2019 and approximately 165 acres of land on December 3, 2020. The District currently contains approximately 715 acres of land. See "THE DISTRICT."
<i>Location...</i>	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 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 situated 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 Powerline Road. See "THE DISTRICT."
<i>The Developers...</i>	<p>The developer of approximately 42 acres of land within the District developed as 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 on the Prairie, Sections One and Two, consisting of 163 single-family residential lots on approximately 42 acres. Arenosa does not currently own any additional land in the District, though it has entered into an Annexation Letter Agreement with the District to annex approximately 47 acres into the District to be developed as Still Creek Ranch on the Prairie, Phase II.</p> <p>Brookfield Holdings (Rosenberg) LLC, a Texas limited liability company ("Brookfield") owns 55 acres of land within the District being developed as Highland Meadows on the Prairie. 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. Starlight has also contracted to purchase the single-family residential lots from Brookfield for homebuilding. Brookfield has completed the development of Highland Meadows, Section One, consisting of 111 single-family residential lots on approximately 37 of the 55 acres. Brookfield owns the remaining approximately 18 acres of land for future development.</p> <p>Arenosa and Starlight are collectively referred to herein as the "Developers." See "THE DEVELOPERS AND MAJOR PROPERTY OWNERS."</p>
<i>Major Property Owners...</i>	Three individuals and/or entities own approximately 165 acres of land within the District for future development. The District is not aware of any plans to develop such acreage at this time, but anticipates a majority will be developed as single-family residential. See "THE DEVELOPERS AND MAJOR PROPERTY OWNERS—Major Property Owners."

Status of Development...

The District is being developed as the single-family residential subdivisions of On the Prairie: Sunrise Meadow, Still Creek Ranch and Highland Meadows. Development in the District includes 1,247 single-family residential lots on approximately 313 acres. As of March 11, 2021, 1,059 homes were completed (1,048 occupied), 112 homes were under construction or owned by a builder and 76 vacant developed lots were available for home construction. Approximately 137 acres have been developed as a Lamar Consolidated Independent School District high school and junior high school complex with opening anticipated for the 2021-2022 school year. The school complex, as a tax exempt entity, is not subject to the District's ad valorem property taxation. Approximately 105 developable acres have not been provided with water, wastewater and storm drainage facilities. Such developable acreage includes approximately 76 acres of land annexed into the District on December 3, 2020 that is expected to be predominately developed as single-family residential lots. Approximately 160 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."

On December 15, 2020, Arenosa entered into an Annexation Letter Agreement with the District to annex approximately 47 acres into the District to be developed as a single-family residential subdivision known as Still Creek Ranch on the Prairie, Phase II. Annexation of this acreage into the District is expected to be completed in 2021.

On March 25, 2021, Beazer Homes entered into an Annexation Letter Agreement with the District to annex approximately 64 acres into the District to be developed as a single-family residential subdivision. Annexation of this acreage into the District is expected to be completed in 2021.

Builders...

Lennar Homes of Texas and Rausch Coleman Homes are actively marketing and constructing homes in Still Creek Ranch and Starlight is actively marketing and constructing homes in Highland Meadows. See "THE DEVELOPERS AND MAJOR PROPERTY OWNERS—Builders."

Park and Recreational Facilities...

Park and recreational facilities constructed within the District include an amenity lake, pavilion, basketball court, playgrounds, sidewalks, playing fields and landscaping and monumentation enhancements. See "PARK AND RECREATIONAL FACILITIES."

Payment Record...

The District has previously issued \$19,520,000 principal amount of unlimited tax bonds in seven series for water, wastewater and/or storm drainage facilities, \$1,325,000 principal amount of unlimited tax bonds in one series for the purpose of purchasing and constructing parks and recreational facilities and \$4,195,000 principal amount of unlimited tax refunding bonds in one series. The District currently has \$17,865,000 principal amount of bonds outstanding (the "Outstanding Bonds") as of the date hereof. The District has never defaulted in the payment of principal and interest on the Outstanding Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."

Future Debt...

The District has authorized filing of a bond application to the TCEQ in the approximate principal amount of \$5,300,000 for water, wastewater and storm drainage facilities. The District expects approval and issuance of such bonds by the end of 2021. See "THE BONDS—Issuance of Additional Debt" and "INVESTMENT CONSIDERATIONS—Future Debt."

THE BONDS

Description...

The \$2,045,000* Unlimited Tax Refunding Bonds, Series 2021 (the "Bonds") are being issued as fully registered bonds pursuant to a resolution authorizing the issuance of the Bonds adopted by the District's Board of Directors (the "Board"). The Bonds are scheduled to mature serially on September 1 in each of the years 2022 through 2037, both inclusive, in the principal amounts and on the dates shown on the cover page hereof. The Bonds will be issued in denominations of \$5,000 or integral multiples of \$5,000. Interest on the Bonds accrues from June 1, 2021, and is payable September 1, 2021, and each March 1 and September 1 thereafter, until the earlier of maturity or prior redemption. See "THE BONDS."

*Preliminary; subject to change.

<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, 2028 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, 2027, 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. See “THE BONDS—Redemption Provisions.”
<i>Use of Proceeds...</i>	Proceeds from the sale of the Bonds, together with lawfully available debt service funds, if any, will be used to pay certain costs incurred in connection with the issuance of the Bonds and to currently refund and defease \$1,910,000* principal amount of the Outstanding Bonds in order to achieve net savings in the District’s annual debt service expense. The bonds to be refunded and discharged with Bond proceeds are referred to herein as the “Refunded Bonds.” After the issuance of the Bonds, \$15,955,000* principal amount of the Outstanding Bonds will remain outstanding (the “Remaining Outstanding Bonds”). See “PLAN OF FINANCING—Refunded Bonds” and “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds.”
<i>Authority for Issuance...</i>	The Bonds are the second series of bonds issued out of an aggregate of \$16,645,000 principal amount of unlimited tax refunding bonds authorized by the District’s voters for the purpose of refunding outstanding bonds. The Bonds are issued by the District pursuant to the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 1207 of the Texas Government Code, as amended, an election held within the District, City of Rosenberg Ordinance No. 2016-33 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 Remaining 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 solely of 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. See “THE BONDS—Source of Payment.”
<i>Municipal Bond Rating and Municipal Bond Insurance...</i>	Moody’s Investors Service (“Moody’s”) has assigned an underlying rating of “Baa2” to the Bonds. The use of insurance and the payment of an insurance premium is at the option and expense of the District. The rating fee of Moody’s will be paid for by the District; payment of any other rating fee will be the responsibility of the Underwriter. See “MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE.”
<i>Qualified Tax-Exempt Obligations...</i>	The Bonds will be designated as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended. See “TAX MATTERS—Qualified Tax-Exempt Obligations.”
<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>Underwriter’s 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.”
<i>Escrow Agent...</i>	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See “PLAN OF FINANCING—Escrow Agreement and Defeasance of the Refunded Bonds.”

Paying Agent for the Series 2010 Refunded Bonds... Wells Fargo Bank, N.A., Minneapolis, Minnesota. See “PLAN OF FINANCING—Escrow Agreement and Defeasance of the Refunded Bonds.”

Paying Agent for the Series 2013 Refunded Bonds... The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See “PLAN OF FINANCING—Escrow Agreement and Defeasance of the Refunded Bonds.”

Verification Agent... Public Finance Partners LLC, Minneapolis, Minnesota. See “VERIFICATION OF MATHEMATICAL CALCULATIONS.”

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)

2020 Certified Taxable Assessed Valuation.....	\$167,272,584 (a)
2021 Preliminary Taxable Assessed Valuation.....	\$189,315,900 (b)
Gross Direct Debt Outstanding (the Remaining Outstanding Bonds and the Bonds)	\$18,000,000 *(c)
Estimated Overlapping Debt	11,085,887 (d)
Gross Direct Debt and Estimated Overlapping Debt.....	\$29,085,887 *(d)
Ratio of Gross Direct Debt to:	
2020 Certified Taxable Assessed Valuation	10.76% *
2021 Preliminary Taxable Assessed Valuation.....	9.51% *
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:	
2020 Certified Taxable Assessed Valuation.....	17.39% *
2021 Preliminary Taxable Assessed Valuation.....	15.36% *
Debt Service Fund Balance as of April 1, 2021	\$1,696,948 (e)
Operating Funds Available as of April 1, 2021	\$3,465,697
Capital Projects Funds Available as of April 1, 2021	\$3,999,506 (f)
2020 Debt Service Tax Rate.....	\$0.74
2020 Maintenance Tax Rate.....	0.36
2020 Total Tax Rate.....	\$1.10
Average Annual Debt Service Requirement (2022-2043) of the Bonds and the Remaining Outstanding Bonds.....	\$1,005,527* (g)
Maximum Annual Debt Service Requirement (2022) of the Bonds and the Remaining Outstanding Bonds.....	\$1,313,175* (g)
Tax Rate Required to Pay Average Requirement (2022-2043) at a 95% Collection Rate	
Based upon 2020 Certified Taxable Assessed Valuation.....	\$0.64* (h)
Based upon 2021 Preliminary Taxable Assessed Valuation	\$0.56* (h)
Tax Rate Required to Pay Maximum Requirement (2022) at a 95% Collection Rate	
Based upon 2020 Certified Taxable Assessed Valuation.....	\$0.83* (h)
Based upon 2021 Preliminary Taxable Assessed Valuation	\$0.74* (h)
Status of Development as of March 11, 2021 (i):	
Homes Completed (1,048 Occupied)	1,059
Homes Under Construction or in a Builder's Name.....	112
Lots Available for Construction.....	76
Estimated Population	3,668 (j)

- (a) As certified by the Fort Bend Central Appraisal District (the "Appraisal District"). The 2020 Certified Taxable Assessed Valuation shown throughout this OFFICIAL STATEMENT does not include the taxable assessed value of the approximately 165 acres of land annexed by the District on December 3, 2020. See "TAXING PROCEDURES."
- (b) Provided by the Appraisal District as a preliminary indication of the 2021 taxable value (as of January 1, 2021). Such amount is subject to review and downward adjustment prior to certification. No tax will be levied on such amount until it is certified in the fall of 2021. See "TAXING PROCEDURES."
- (c) After the issuance of the Bonds and the refunding of the Refunded Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."
- (d) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt."
- (e) The District intends to apply approximately \$34,000* of available debt service funds toward the purpose for which the Bonds are being issued. See "PLAN OF FINANCING—Sources and Uses of Funds." Neither Texas law nor the Bond Resolution requires the District to maintain any particular balance in the Debt Service Fund.
- (f) The District intends to use these funds for water and sewer plant expansion and drainage projects.
- (g) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."
- (h) See "TAX DATA—Tax Adequacy for Debt Service."
- (i) See "THE DISTRICT—Land Use—Status of Development."
- (j) Based upon 3.5 persons per occupied single-family residence.

PRELIMINARY OFFICIAL STATEMENT

\$2,045,000*

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

UNLIMITED TAX REFUNDING BONDS **SERIES 2021**

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Fort Bend County Municipal Utility District No. 162 (the “District”) of its \$2,045,000* Unlimited Tax Refunding Bonds, Series 2021 (the “Bonds”).

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 1207 of the Texas Government Code, as amended, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas, City of Rosenberg Ordinance 2016-33, an election held within the District and a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the Board of Directors of the District (the “Board”).

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District. 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.

PLAN OF FINANCING

Purpose

The proceeds of the Bonds and lawfully available debt service funds, if any, will be used to currently refund and defease portions of the District’s Unlimited Tax Bonds, Series 2010 and Unlimited Tax Bonds, Series 2013, totaling \$1,910,000* (the “Refunded Bonds”) in order to achieve a net savings in the District’s debt service expense. See “Refunded Bonds” herein. The proceeds will also be used to pay the costs of issuance of the Bonds. See “Sources and Uses of Funds” herein. A total of \$15,955,000* in principal amount of the Outstanding Bonds will remain outstanding after the issuance of the Bonds (the “Remaining Outstanding Bonds”). See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds.”

*Preliminary; subject to change.

Refunded Bonds

Proceeds of the Bonds and lawfully available debt service funds, if any, will be applied to currently refund and defease the Refunded Bonds in the principal amounts and with maturity dates set forth below and to pay certain costs of issuing the Bonds.

Maturity Date September 1	Series 2010*	Series 2013*
2022	\$ 25,000	\$ 50,000
2023	25,000	55,000
2024	25,000	55,000
2025	25,000	60,000
2026	25,000	65,000
2027	25,000	65,000
2028	25,000	70,000
2029	25,000	75,000
2030	25,000	80,000
2031	25,000	85,000
2032	25,000	90,000
2033	25,000	90,000
2034	175,000	95,000
2035	175,000	100,000
2036	-	110,000
2037	-	115,000
	\$ 650,000	\$ 1,260,000

Redemption Date: June 8, 2021 September 1, 2021

Sources and Uses of Funds

The proceeds derived from the sale of the Bonds, exclusive of accrued interest, along with lawfully available debt service funds, if any, will be applied as follows:

Sources of Funds:

Principal Amount of the Bonds	\$ _____
Plus/Minus: Net Premium/Discount on the Bonds	_____
Plus: Transfer from Debt Service Fund	_____
Total Sources of Funds.....	\$ _____

Uses of Funds:

Deposit to Escrow Fund.....	\$ _____
Issuance Expenses and Underwriters' Discount (a).....	_____
Total Uses of Funds	\$ _____

(a) Includes municipal bond insurance premium.

Escrow Agreement and Defeasance of Refunded Bonds

The Refunded Bonds, and the interest due thereon, are to be paid on each principal or Interest Payment Date and on the redemption date from funds to be deposited with The Bank of New York Mellon Trust Company, N.A. as escrow agent (the "Escrow Agent").

The Bond Resolution provides that the District and the Escrow Agent will enter into an escrow agreement (the "Escrow Agreement") to provide for the discharge and defeasance of the Refunded Bonds. The Bond Resolution further provides that from the proceeds of the sale of the Bonds and other available funds of the District, the District will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in a segregated escrow account (the "Escrow Fund") and used to purchase United States Treasury Obligations or other securities authorized by Chapter 1207 of the Texas Government Code, as amended, (the "Escrowed Securities"). At the time of delivery of the Bonds, Public Finance Partners LLC, will verify to the District, the Escrow Agent and the Underwriter that the Escrowed Securities are sufficient in principal amount and are scheduled to mature at such times and to yield interest in such amounts, together with uninvested funds, if any, in the Escrow Fund, to pay, when due, the principal of and interest on the Refunded Bonds. See "VERIFICATION OF MATHEMATICAL CALCULATIONS." Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds and will not be available to pay principal of and interest on the Bonds. By the deposit of the Escrowed Securities and cash, if any, with the Escrow Agent pursuant to the Escrow Agreement, and the making of irrevocable arrangements for the giving of notice of redemption of the Refunded Bonds, the terms of the prior resolutions of the District securing payment of the Refunded Bonds shall have been satisfied and such Refunded Bonds will no longer be considered outstanding except for the payment out of amounts so deposited, and the amounts so deposited and invested in the Escrow Fund will constitute firm banking arrangements under Texas law for the discharge and final payment of the Refunded Bonds.

THE BONDS

Description

The Bonds will be dated and accrue interest from June 1, 2021, with interest payable each September 1 and March 1, beginning September 1, 2021 (the "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., in 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 remain outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are 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 solely of 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.

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.

Accrued interest on the Bonds shall be deposited into the Debt Service Fund upon receipt. Any monies remaining after the refunding of the Refunded Bonds and payment of issuance costs will be deposited into the Debt Service Fund.

No Arbitrage

The District will certify as of the date the Bonds are delivered and paid for that, based upon all facts and estimates 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.

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2028, prior to their scheduled maturities, in whole or from time-to-time in part, in integral multiples of \$5,000 on September 1, 2027, or any date thereafter, at a price of par value plus accrued interest on the principal amounts called for redemption 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 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, voters of the District authorized a total of \$16,645,000 principal amount of unlimited tax bonds for the purpose of refunding outstanding debt of the District. After the issuance of the Bonds, \$16,295,000* principal amount of unlimited tax bonds for refunding purposes will remain authorized but unissued. See "Issuance of Additional Debt" herein.

The Bonds are issued by the District pursuant to the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 1207 of the Texas Government Code, as amended, an election held within the District, City of Rosenberg Ordinance 2016-33, 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

At bond elections within the District, 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 and \$16,645,000 principal amount of unlimited tax bonds for refunding such bonds and could authorize additional amounts. The District currently has \$78,215,000 principal amount of unlimited tax bonds for the purpose of constructing and purchasing water, wastewater and/or storm drainage facilities authorized but unissued. After the issuance of the Bonds, \$16,295,000* principal amount of unlimited tax bonds for refunding purposes will remain authorized but unissued. The District has authorized filing of a bond application to the TCEQ in the in the approximate principal amount of \$5,300,000 for water, wastewater and storm drainage facilities. The District expects approval and issuance of the bonds by the end of 2021. See "INVESTMENT CONSIDERATIONS—Future Debt."

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District issues additional 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. Under current law, the outstanding principal amount of park bonds may not exceed an amount equal to one percent of the value of the taxable property in the District. At an election held in the District, voters approved \$5,650,000 principal amount of unlimited tax park bonds the purpose of purchasing or constructing parks and recreational facilities. The District issued \$1,325,000 principal amount of unlimited tax bonds for parks and recreational facilities in one series and currently has \$4,325,000 principal amount of unlimited tax park bonds authorized but unissued. 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—Fire Protection Agreement." The District has fully paid its capital contribution to the City, but remains obligated to pay the monthly charge. Additional land in the District that is not covered by the City fire department 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.

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.

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual 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.

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.

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 thereof.

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, 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 parks and recreation 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—Fire Protection Agreement" herein. Additional land in the District that is not covered by the City fire department 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 annexed approximately 42 acres of land on March 13, 2018, approximately 66 acres of land on August 14, 2018, approximately 137 acres of land on July 1, 2019 and approximately 165 acres of land on December 3, 2020. The District currently contains approximately 715 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. 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 situated at 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 Reading Road.

Land Use

The District currently includes approximately 313 developed acres of single-family residential development (1,247 lots), approximately 137 acres developed as a Lamar Consolidated Independent School District high school and junior high school complex, which is not subject to ad valorem taxation by the District, approximately 105 developable acres have not been provided with water, wastewater and/or storm drainage facilities, and approximately 160 acres within the District are not developable (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.

<u>Single-Family Residential:</u>	Approximate	
	<u>Acres</u>	<u>Lots</u>
Sunrise Meadow:		
Section One.....	42	179
Section Two.....	47	174
Section Three.....	26	114
Section Four.....	25	131
Section Five.....	22	86
Section Six.....	26	115
Section Seven.....	14	46
Section Eight.....	32	128
Subtotal.....	234	973
Still Creek Ranch:		
Section One.....	28	99
Section Two.....	14	64
Subtotal.....	42	163
Highland Meadows:		
Section One.....	37	111
Total Single-Family Residential.....	313	1,247
School.....	137	--
Future Development.....	105	--
Non-Developable (a).....	160	--
Totals.....	715	1,247

(a) Includes public rights-of-way, recreation, detention, open spaces, easements and utility sites.

Status of Development

Single Family Residential: The District includes the single-family residential subdivisions of Sunrise Meadows, Still Creek Ranch and Highland Meadows. Development in the District collectively includes 1,247 single-family residential lots constructed on approximately 313 acres. As of March 11, 2021, 1,059 homes were completed (1,048 occupied), 112 homes were under construction or continue to be owned by a builder and 76 vacant developed lots were available for home construction. According to the District’s 2020 tax rolls, the average house value of homes in the District is approximately \$161,345 and newer homes recently constructed in Still Creek Ranch and Highland Meadows range from approximately \$219,000 to \$283,000. The current estimated population in the District is 3,668 based upon 3.5 persons per occupied single-family residence.

In addition, approximately 137 acres have been developed as a Lamar Consolidated Independent School District high school and junior high school complex with opening anticipated for the 2021-2022 school year. The school complex, as a tax-exempt entity, is not subject to the District’s ad valorem property taxation. Approximately 105 developable acres have not been provided with water, wastewater and storm drainage facilities. Such developable acreage includes approximately 76 acres of land annexed into the District on December 3, 2020 that is expected to be predominately developed as single-family residential lots. Approximately 160 acres within the District are not developable (public rights-of-way, recreation, detention, open spaces, easements and utility sites).

On December 15, 2020, Arenosa entered into an Annexation Letter Agreement with the District to annex approximately 47 acres into the District to be developed as a single-family residential subdivision known as Still Creek Ranch on the Prairie, Phase II. Annexation of this acreage into the District is expected to be completed in 2021.

On March 25, 2021, Beazer Homes entered into an Annexation Letter Agreement with the District to annex approximately 64 acres into the District to be developed as a single-family residential subdivision. Annexation of this acreage into the District is expected to be completed in 2021.

Agreements with the City

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 1,412 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—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 interim 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. 2004-29, and bonds issued by the District for refunding purposes must be in compliance with the City’s Ordinance No. 2016-33.

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 “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes.”

THE DEVELOPERS AND MAJOR PROPERTY OWNERS

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 approximately 42 acres of land within the District developed as 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 does not own any additional land in the District, but has entered into an Annexation Letter Agreement with the District to annex approximately 47 acres into the District to be developed as a single-family residential subdivision known as Still Creek Ranch on the Prairie, Phase II. Annexation of this acreage into the District is expected to be completed in 2021.

Starlight Homes Texas, L.L.C.

Brookfield Holdings (Rosenberg) LLC, a Texas limited liability company (“Brookfield”) owns 55 acres of land within the District being developed as Highland Meadows. 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. Starlight has also contracted to purchase the single-family residential lots from Brookfield for homebuilding. Brookfield has completed the development of Highland Meadows, Section One, consisting of 111 single-family residential lots on approximately 37 of the 55 acres. Brookfield owns the remaining approximately 18 acres of land for future development.

Arenosa and Starlight 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.

Builders

Lennar Homes of Texas and Rausch Coleman Homes are actively marketing and constructing homes in Still Creek Ranch and Starlight is actively marketing and constructing homes in Highland Meadows.

Major Property Owners

Three individuals and/or entities own approximately 165 acres of land within the District for future development. The District is not aware of any plans to develop such acreage at this time, but anticipates a majority will be developed as single-family residential.

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. Four 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 2022
Elvira Garcia	Assistant Vice President	May 2022
Gary Braxton	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 annual audit is filed with the Commission. The District's financial statements for the fiscal year ending April 30, 2020 were audited by McGrath & Company, PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the District's April 30, 2020 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. Ms. Carmen Turner of 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.

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 two ground storage tanks totaling 200,000 gallons, two pressure tanks totaling 20,000 gallons and two booster pumps totaling 2,000 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 previously described is capable of serving 1,563 equivalent single-family connections. As of March 11, 2021, the District was serving approximately 1,059 active equivalent single-family connections. The District is expending a portion of the proceeds from the Series 2020 Bonds to finance the construction of a 10,000 gallon hydropneumatic tank, 50,000 gallon ground storage tank and 450 gpm booster pump at the water plant, which will increase the water supply system capacity to serve 1,914 equivalent single-family connections. Completion is expected in December 2021. 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—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 \$6.50 per 1,000 gallons 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 \$2.20 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 137 acres on which the Lamar Consolidated Independent District (“LCISD”) high school and middle school complex is located within the boundaries of the Subsidence District, which regulates groundwater withdrawal. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District’s jurisdiction, including the area within the 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, currently \$6.50 per 1,000 gallons (“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 300,000 gallon per day ("gpd") interim wastewater treatment plant, which will adequately serve 1,429 equivalent single-family connections. As of March 11, 2021, the District was serving approximately 1,059 active connections. A portion of the proceeds from the Series 2020 Bonds will be expended to construct a 50,000 gpd expansion to the District's wastewater treatment plant to bring the total wastewater treatment plant capacity to 350,000 gpd. After completion of such expansion for which the District currently does not have a schedule to commence construction, the wastewater treatment plant will have capacity to serve 1,667 equivalent single-family connections. The District has started design on Wastewater Treatment Plant No. 2, a 1,200,000 gpd facility. The ultimate capacity of this plant, using a factor of 300 gpd/esfcs, is 4,000 esfcs. It is anticipated that phase one of Wastewater Treatment Plant No. 2 will be fully funded by proceeds from the next bond issuance. It is anticipated that, in the future, the City will construct a regional wastewater treatment facility that will be utilized by the District for ultimate wastewater treatment; however, there are no current plans by the City to begin construction of such wastewater facility. 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 1,247 single-family residential lots in the District. 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—Recent Extreme Weather Events; Hurricane Harvey."

Atlas 14

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

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2020 Certified Taxable Assessed Valuation	\$167,272,584	(a)
2021 Preliminary Taxable Assessed Valuation	\$189,315,900	(b)
Gross Direct Debt Outstanding (the Remaining Outstanding Bonds and the Bonds)	\$18,000,000	*(c)
Estimated Overlapping Debt	11,085,887	(d)
Gross Direct Debt and Estimated Overlapping Debt	\$29,085,887	*
Ratio of Gross Direct Debt to:		
2020 Certified Taxable Assessed Valuation	10.76%	*
2021 Preliminary Taxable Assessed Valuation.....	9.51%	*
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:		
2020 Certified Taxable Assessed Valuation	17.39%	*
2021 Preliminary Taxable Assessed Valuation.....	15.36%	*
Debt Service Fund Balance as of April 1, 2021	\$1,696,948	(e)
Operating Funds Available as of April 1, 2021	\$3,465,697	
Capital Projects Funds Available as of April 1, 2021	\$3,999,506	(f)

- (a) As certified by the Fort Bend Central Appraisal District (the "Appraisal District"). The 2020 Certified Taxable Assessed Valuation shown throughout this OFFICIAL STATEMENT does not include the taxable assessed value of the approximately 165 acres of land annexed by the District on December 3, 2020. See "TAXING PROCEDURES."
- (b) Provided by the Appraisal District as a preliminary indication of the 2021 taxable value (as of January 1, 2021). Such amount is subject to review and downward adjustment prior to certification. No tax will be levied on such amount until it is certified in the fall of 2021. See "TAXING PROCEDURES."
- (c) After the issuance of the Bonds and the refunding of the Refunded Bonds. See "Outstanding Bonds" herein.
- (d) See "Estimated Overlapping Debt" herein.
- (e) The District intends to apply approximately \$34,000* of available debt service funds toward the purpose for which the Bonds are being issued. See "PLAN OF FINANCING—Sources and Uses of Funds." Neither Texas law nor the Bond Resolution requires the District to maintain any particular balance in the Debt Service Fund.
- (f) The District intends to use these funds for water and sewer plant expansion and drainage projects.

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 Bonds

The following table lists the original principal amount of Outstanding Bonds, and the current principal balance of the Outstanding Bonds, the Refunded Bonds and the Remaining Outstanding Bonds.

Series	Original Principal Amount	Principal Amount Currently Outstanding	Refunded Bonds*	Remaining Outstanding Bonds*
2007	\$ 3,495,000	\$ -	\$ -	\$ -
2009	1,500,000	-	-	-
2010	900,000	675,000	650,000	25,000
2013	1,600,000	1,310,000	1,260,000	50,000
2015	2,000,000	1,645,000	-	1,645,000
2015A (a)	4,195,000	3,575,000	-	3,575,000
2017	4,100,000	3,575,000	-	3,575,000
2017A (b)	1,325,000	1,160,000	-	1,160,000
2020	5,925,000	5,925,000	-	5,925,000
Total	\$ 25,040,000	\$ 17,865,000	\$ 1,910,000	\$ 15,955,000 *
The Bonds				2,045,000 *
The Bonds and Remaining Outstanding Bonds				\$ 18,000,000 *

(a) Unlimited tax refunding bonds.

(b) Unlimited tax park bonds.

Debt Service Requirements

The following sets forth the debt service requirements for the Outstanding Bonds, less the debt service on the Refunded Bonds (\$1,910,000* principal amount), plus the estimated debt service on the Bonds.

Year	Outstanding Bonds Debt Service Requirements	(a)	Less: Debt Service on the Refunded Bonds*	Plus: Debt Service on the Bonds*			Total Debt Service
				Principal	Interest	Total	
2021	\$ 1,078,529.38		\$ 46,329.38	\$ -	\$ 11,862.50	\$ 11,862.50	\$ 1,044,062.50
2022	1,338,383.75		167,658.75	95,000	47,450.00	142,450.00	1,313,175.00
2023	1,334,708.75		169,783.75	100,000	44,600.00	144,600.00	1,309,525.00
2024	1,322,927.50		166,577.50	100,000	41,600.00	141,600.00	1,297,950.00
2025	1,313,287.50		168,162.50	105,000	38,600.00	143,600.00	1,288,725.00
2026	1,307,662.50		169,437.50	110,000	35,450.00	145,450.00	1,283,675.00
2027	1,296,293.75		165,493.75	110,000	32,150.00	142,150.00	1,272,950.00
2028	1,283,262.50		166,387.50	115,000	28,850.00	143,850.00	1,260,725.00
2029	1,274,250.00		166,981.25	115,000	26,550.00	141,550.00	1,248,818.75
2030	1,259,100.00		167,262.50	120,000	24,250.00	144,250.00	1,236,087.50
2031	1,248,193.75		167,187.50	120,000	21,850.00	141,850.00	1,222,856.25
2032	1,241,162.50		166,775.00	120,000	19,450.00	139,450.00	1,213,837.50
2033	1,213,093.75		161,125.00	120,000	17,050.00	137,050.00	1,189,018.75
2034	1,184,000.00		310,250.00	265,000	14,650.00	279,650.00	1,153,400.00
2035	1,153,400.00		300,875.00	265,000	9,350.00	274,350.00	1,126,875.00
2036	882,550.00		121,250.00	90,000	4,050.00	94,050.00	855,350.00
2037	863,850.00		120,750.00	95,000	2,137.50	97,137.50	840,237.50
2038	729,525.00		-	-	-	-	729,525.00
2039	710,150.00		-	-	-	-	710,150.00
2040	575,775.00		-	-	-	-	575,775.00
2041	321,000.00		-	-	-	-	321,000.00
2042	339,625.00		-	-	-	-	339,625.00
2043	332,312.50		-	-	-	-	332,312.50
Total	\$ 23,603,043.13		\$ 2,902,286.88	\$ 2,045,000	\$ 419,900.00	\$ 2,464,900.00	\$ 23,165,656.25

(a) Excludes the March 1, 2021 debt service payment in the amount of \$273,529.

Maximum Annual Debt Service Requirement (2022).....\$1,313,175*
Average Annual Debt Service Requirements (2022-2043)\$1,005,527*

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	\$ 664,849,310	02/28/21	0.22%	\$ 1,462,668
Fort Bend County Drainage District.....	25,405,000	02/28/21	0.22%	55,891
Lamar Consolidated Independent School District.....	1,112,480,000	02/28/21	0.86%	9,567,328
Total Estimated Overlapping Debt.....				\$11,085,887
The District's Total Direct Debt (a)				18,000,000*
Total Direct and Estimated Overlapping Debt				\$29,085,887*

Direct and Estimated Overlapping Debt as a Percentage of:
 2020 Certified Taxable Assessed Valuation of \$167,272,584 17.39% *
 2021 Preliminary Taxable Assessed Valuation of \$189,315,900 15.36% *

(a) The Bonds and the Remaining 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 the taxes levied for the 2020 tax year by all entities overlapping the District and the District. No recognition is given to local assessments for civic association dues, fire department contributions or any other levy of entities other than political subdivisions.

	<u>2020 Tax Rate per \$100 of Taxable Assessed Valuation</u>
Fort Bend County (including Drainage District).....	\$ 0.453207
Lamar Consolidated Independent School District.....	1.269100
Total Overlapping Tax Rate.....	\$ 1.722307
The District (b).....	1.100000
Total Tax Rate.....	\$ 2.822307

(a) See "TAX DATA—Historical Tax Rate Distribution."
 (b) A portion of the District is subject to taxation by Fort Bend County Emergency Services District No. 6, which levied a 2020 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 \$2.922307 per \$100 of taxable assessed valuation. See "THE DISTRICT—Agreements with the City of Rosenberg—Fire Protection Agreement."

General Operating Fund

The Remaining Outstanding Bonds and the 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. Net revenue from operations of the District's system, if any, are available for any legal purpose, including, upon Board action, the payment of debt service on the Bonds and the Remaining Outstanding Bonds. It is anticipated that no significant operation revenues will be used for debt service on the Bonds or the Remaining Outstanding Bonds in the foreseeable future.

The following statement sets forth in condensed form the General Operating Fund as shown in the District's audited financial statements from April 30, 2017, through the fiscal year ending April 30, 2020 and unaudited financial statements for the period ended March 31, 2021, provided by the Bookkeeper. 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.

	5/1/2020 thru 3/31/2021 (a) (unaudited)	Fiscal Year Ended April 30			
		2020	2019	2018	2017
Revenues:					
Water Service	\$ 267,560	\$ 264,125	\$ 233,622	\$ 257,481	\$ 268,943
Sewer Service	451,355	484,456	451,916	469,860	446,580
Property Taxes	597,012	718,505	629,248	540,870	519,639
Penalties and Interest	20,878	27,413	32,691	26,472	32,167
Tap Connection and Inspection	273,085	200,834	-	-	-
Fire Protection Service	186,657	230,512	236,955	225,883	232,457
Surface Water	206,267	177,067	164,270	155,018	164,318
Miscellaneous	47,088	49,381	48,685	23,233	31,418
Investment Earnings	23,955	50,143	47,302	22,538	7,253
Total Revenue	\$ 2,073,857	\$ 2,202,436	\$ 1,844,689	\$ 1,721,355	\$ 1,702,775
Expenditures:					
Professional Fees	\$ 267,325	\$ 321,972	\$ 265,260	\$ 209,553	\$ 131,663
Contracted Services	653,910	785,441	588,238	603,251	528,927
Repairs and Maintenance	461,486	430,231	400,152	359,712	226,735
Utilities	60,971	74,823	77,133	63,763	69,824
Surface Water	219,765	193,122	155,800	143,403	150,033
Administrative	72,587	96,526	75,347	66,341	94,836
Other	54,687	74,618	33,346	47,250	21,827
Capital Outlay	353,952	42,077	-	-	-
Total Expenditures	\$ 2,144,683	\$ 2,018,810	\$ 1,595,276	\$ 1,493,273	\$ 1,223,845
NET REVENUES	\$ (70,826)	\$ 183,626	\$ 249,413	\$ 228,082	\$ 478,930
Other Financing Sources/(Uses)	\$ 25,406 (b)	\$ (79,675) (c)	\$ (284,698) (c)	\$ -	\$ -
Capital Recovery Fees		879,791 (d)	-	-	-
General Operating Fund					
Balance (Beginning of Year)	\$ 3,238,103	\$ 2,254,361	\$ 2,289,646	\$ 2,061,564	\$ 1,582,634
General Operating Fund					
Balance (End of Year)	\$ 3,192,683	\$ 3,238,103	\$ 2,254,361	\$ 2,289,646	\$ 2,061,564

(a) Unaudited. Provided by the Bookkeeper.

(b) Transfer from Capital Projects Funds.

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

(d) Represents the capital recovery fees received from Lamar Consolidated Independent School District after the annexation of two tax-exempt tracts.

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 or the Remaining Outstanding Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds and the Remaining Outstanding Bonds. See “Historical Tax Rate Distribution” and “Tax Roll Information” below and “TAXING PROCEDURES.”

Maintenance 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

	2020	2019	2018	2017	2016
Debt Service Tax Rate	\$ 0.740	\$0.625	\$0.660	\$0.700	\$0.700
Maintenance & Operating Tax Rate	0.360	0.465	0.430	0.390	0.390
Total District Tax Rate	\$ 1.100	\$1.090	\$1.090	\$1.090	\$1.090

Tax Exemptions

The District has not adopted any tax exemptions for property located within the District.

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District established an additional penalty of twenty percent (20%) of the tax to defray the costs of collection. This 20% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than November 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.

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.

	Certified Net			Total Collections	
	Taxable Assessed	Tax Rate	Total (b) Tax Levy	As of 2/28/21 (c)	
	Valuation (a)			Amount	Percent
2016	\$ 133,190,374	\$ 1.09	\$1,451,775	\$ 1,451,775	100.00%
2017	139,488,948	1.09	1,520,430	1,520,430	100.00%
2018	146,629,270	1.09	1,598,259	1,596,143	99.87%
2019	154,182,077	1.09	1,680,585	1,678,094	99.85%
2020	167,272,584	1.10	1,839,998	1,808,726	98.30%

- (a) Net valuation represents taxable assessed value as certified by the Appraisal District less any exemptions granted. See “Tax Roll Information” below 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.

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 2016 through 2020 Certified Taxable Assessed Valuations and the 2021 Preliminary Taxable Assessed Valuation, which is subject to review and downward adjustment prior to certification. Taxes are levied on taxable value certified by the Appraisal Districts as of January 1 of each year.

Tax Year	Type of Property			Gross Assessed Valuation	Deferments and Exemptions	Taxable Assessed Valuation
	Land	Improvements	Personal Property			
2021 Preliminary Taxable						
Assessed Valuation (a)	\$ 39,521,390	\$ 196,389,108	\$ 1,118,500	\$ 237,028,998	\$ (47,713,098)	\$ 189,315,900
2020 (b)	34,211,210	148,147,109	1,114,750	183,473,069	(16,200,485)	167,272,584
2019	30,246,990	126,295,070	988,220	157,530,280	(3,348,203)	154,182,077
2018	29,015,440	122,764,030	843,500	152,622,970	(5,993,700)	146,629,270
2017	28,465,680	118,694,010	762,880	147,922,570	(8,433,622)	139,488,948
2016	28,465,660	115,991,410	747,360	145,204,430	(12,014,056)	133,190,374

- (a) Provided by the Appraisal District as a preliminary indication of the 2021 taxable value (as of January 1, 2021). Such amount is subject to review and downward adjustment prior to certification. No tax will be levied on such amount until it is certified in the fall of 2021. See "TAXING PROCEDURES."
- (b) The 2020 Certified Taxable Assessed Valuation shown throughout this OFFICIAL STATEMENT does not include the taxable assessed value of the approximately 165 acres of land annexed by the District on December 3, 2020.

Principal Taxpayers

The following table represents the principal taxpayers, the taxable assessed value of such property, and such property's taxable assessed value as a percentage of the 2020 Certified Taxable Assessed Valuation of \$167,272,584. This represents ownership as of January 1, 2020. A principal taxpayer list related to the 2021 Preliminary Taxable Assessed Valuation of \$189,315,900, which is subject to review and downward adjustment prior to certification, is not available.

Taxpayer	2020 Certified Taxable Assessed Valuation	% of 2020 Certified Taxable Assessed Valuation
AMH 2015-2 Borrower LLC	\$ 1,140,960	0.68%
AMH 2014-1 Borrower LLC	837,870	0.50%
Centerpoint Energy Electric	754,720	0.45%
Arenosa Development Powerline Ltd (a)	709,940	0.42%
Mesecher, Rick L	672,390	0.40%
American Homes 4 Rent Properties Eight LLC	651,270	0.39%
AMH 2014-3 Borrower LLC	648,410	0.39%
Brookfield Holdings (Rosenberg) LLC (a)	627,130	0.37%
Progress Residential Borrower 5 LLC	616,940	0.37%
SFR JV-1 2020-1 Borrower LLC	456,730	0.27%
Total	\$ 7,116,360	4.24%

(a) See "THE DEVELOPERS AND MAJOR PROPERTY OWNERS."

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of 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 2020 Certified Taxable Assessed Valuation of \$167,272,584 or the 2021 Preliminary Taxable Assessed Valuation of \$189,315,900, which is subject to review and downward adjustment prior to certification. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and the Remaining 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.”

Average Annual Debt Service Requirement (2022-2043)	\$1,005,527 *
\$0.64* Tax Rate on the 2020 Certified Taxable Assessed Valuation	\$1,017,017 *
\$0.56* Tax Rate on the 2021 Preliminary Taxable Assessed Valuation	\$1,007,161 *
Maximum Annual Debt Service Requirement (2022).....	\$1,313,175 *
\$0.83* Tax Rate on the 2020 Certified Taxable Assessed Valuation	\$1,318,944 *
\$0.74* Tax Rate on the 2021 Preliminary Taxable Assessed Valuation	\$1,330,891 *

No representation or suggestion is made that the 2021 Preliminary Taxable Assessed Valuation 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 amount or its inclusion herein as assurance of its 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 Remaining 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 Tax.”

Property Tax Code and County-Wide Appraisal District

Title I of the Texas Tax Code, as amended, (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

*Preliminary; subject to change.

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 in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead 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.

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 may designate all or part of the area within the District as a reinvestment zone. Thereafter, Fort Bend County, the City and 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.

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. Increases in the appraised value of residence homesteads are limited by the Texas Constitution 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% 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.

Rollback of Operation and Maintenance Tax Rate

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

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

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

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

The District: A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District is made by the Board of Directors on an annual basis, beginning with the 2020 tax rate. The District has been designated as a "Developing District" for tax year 2020. 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. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. 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 of Rosenberg, Fort Bend County, 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" below.

Infectious Disease Outlook (COVID-19)

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the "Pandemic"), which is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States in connection with COVID-19. On March 13, 2020, the President of the United States (the "President") declared the Pandemic a national emergency and the Texas Governor (the "Governor") declared COVID-19 an imminent threat of disaster for all counties in Texas (collectively, the "disaster declarations"). The Governor has issued successive renewals of the State disaster declarations, and such declaration remains in effect. On March 25, 2020, in response to a request from the Governor, the President issued a Major Disaster Declaration for the State of Texas.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas. Stock values and crude oil prices, in the U.S. and globally, have seen significant fluctuations attributed to COVID-19 concerns. Texas may be particularly at risk from any global slowdown, given the prevalence of international trade in the state and the risk of contraction in the oil and gas industry and spillover effects into other industries.

Such adverse economic conditions, if they continue, could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property within the District. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition or its ratings. See "MUNICIPAL BOND RATINGS AND MUNICIPAL BOND INSURANCE." The financial and operating data contained herein are the latest available, but are as of dates and for periods partially prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the economic impact of the Pandemic on the District's financial condition.

Potential Effects of Oil Price Fluctuations on the Houston Area

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

Extreme Weather Events; Hurricane Harvey

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms, hurricanes and winter storms. 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 the 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 the 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

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

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

Atlas 14

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

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.

Undeveloped Acreage, Vacant Land and Vacant Lots

There are approximately 105 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. 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. See “THE DISTRICT—Land Use” and “—Status of Development.”

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

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. A total 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 parks 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 \$16,295,000* principal amount of unlimited tax bonds authorized but unissued for refunding outstanding bonds of the District, \$78,215,000 principal amount of unlimited tax bonds authorized but unissued for purchasing and constructing water, wastewater and/or storm drainage facilities and \$4,325,000 principal amount of unlimited tax bonds authorized but unissued for purchasing and constructing parks and recreational facilities. Under current law, the District may not issue park bonds in an amount which, together with the outstanding park bonds, exceed one percent (1%) of the District's taxable value. 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. The District has authorized filing of a bond application to the TCEQ in the approximate principal amount of \$5,300,000 for water, wastewater and storm drainage facilities. The District expects approval and issuance of the bonds by the end of 2021. See "THE BONDS—Issuance of Additional Debt."

The District continues to owe approximately \$4,015,000 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 105 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 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 Regulations

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

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

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

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

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

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

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

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

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

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

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

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

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

The 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.

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

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

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

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

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

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 on Municipal Bond Insurance

The District has applied for a bond insurance policy (the “Policy”) to guarantee the scheduled payment of principal and interest on the Bonds. If the Policy is issued, investors should be aware of the following investment considerations:

The long-term ratings on the Bonds are dependent in part on the financial strength of the insurance provider (the “Insurer”) providing the Policy 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.

MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE

Moody's Investors Service ("Moody's") has assigned an underlying rating of "Baa2" to the Bonds. An explanation of the rating may be obtained from Moody's. The rating fees of Moody's will be paid by the District; however, the fees associated with any other rating will be the responsibility of the Underwriter.

The use of insurance and the payment of an insurance premium is at the option and expense of the District. The rating fees of Moody's will be paid by the District; any other rating fees associated with the insurance will be the responsibility of the Underwriter. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance."

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

LEGAL MATTERS

Legal Proceedings

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

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

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

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

No Material Adverse Change

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

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 no litigation of any nature is pending or to its knowledge threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the levy, assessment and collection of ad valorem taxes to pay the interest or the principal of the Bonds; in any manner questioning the authority or proceedings for the issuance, execution or delivery of the Bonds; or affecting the validity of the Bonds or the title of the present officers of the District.

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.

The Internal Revenue Code of 1986, as amended (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. In addition, the District will rely on the report of Public Finance Partners LLC, regarding the mathematical accuracy of certain computations. If the District should fail to comply with the covenants in the Bond Resolution or if the foregoing representations or report should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

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

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

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

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

Tax Accounting Treatment of Original Issue Discount Bonds

The issue price of certain of the Bonds (the “Original Issue Discount Bonds”) may be 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.

Qualified Tax-Exempt Obligations

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as "qualified tax-exempt obligations" and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed \$10,000,000.

The District will designate the Bonds as "qualified tax-exempt obligations" and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2021 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2021.

Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

VERIFICATION OF MATHEMATICAL CALCULATIONS

Public Finance Partners LLC, will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrowed Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements of the Refunded Bonds and (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes; and (c) compliance with the City of Rosenberg Ordinance 2016-33.

Public Finance Partners LLC relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the District. In addition, Public Finance Partners LLC has relied on any information provided to it by the District's retained advisors, consultants or legal counsel.

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. 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 Ms. Carrie Surratt of the Fort Bend County Tax Office, and is included herein in reliance upon the authority of such individual 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 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, 2020, 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 Operating Fund as it appears in "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—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 the 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 made 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 "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED), except for "Estimated Overlapping Debt," "TAX DATA," and in APPENDIX A (Auditor's Report and 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 2021. Any financial statements provided by the District shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to 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 events to the MRSB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of

terms, or other similar events under the terms of the financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms “obligated person” and “financial obligation” when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the “Rule”). The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide 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 holders 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 holders 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 holders 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/ _____
President, Board of Directors

ATTEST:

/s/ _____
Secretary, Board of Directors

APPENDIX A

Financial Statement of the District for the year ended April 30, 2020

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

FORT BEND COUNTY, TEXAS

FINANCIAL REPORT

April 30, 2020

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McGRATH & CO., PLLC

Certified Public Accountants
2500 Tanglewilde, Suite 340
Houston, Texas 77063

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 162, as of and for the year ended April 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient to provide a basis for our audit opinions.

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

Opinion

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, 2020, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

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, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Houston, Texas
July 22, 2020

Management's Discussion and Analysis

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***Fort Bend County Municipal Utility District No. 162
Management's Discussion and Analysis
April 30, 2020***

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, 2020. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

Fort Bend County Municipal Utility District No. 162
Management's Discussion and Analysis
April 30, 2020

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, 2020, was \$5,261,546. A comparative summary of the District's overall financial position, as of April 30, 2020 and 2019, is as follows:

	2020	2019
Current and other assets	\$ 5,526,903	\$ 4,743,189
Capital assets	16,197,693	13,056,174
Total assets	<u>21,724,596</u>	<u>17,799,363</u>
Total deferred outflows of resources	<u>284,612</u>	<u>304,941</u>
Current liabilities	1,221,887	1,290,776
Long-term liabilities	15,525,775	12,583,594
Total liabilities	<u>16,747,662</u>	<u>13,874,370</u>
Net position		
Net investment in capital assets	1,212,507	1,155,136
Restricted	1,468,680	1,495,937
Unrestricted	2,580,359	1,578,861
Total net position	<u>\$ 5,261,546</u>	<u>\$ 4,229,934</u>

Fort Bend County Municipal Utility District No. 162
Management's Discussion and Analysis
April 30, 2020

The total net position of the District increased during the current fiscal year by \$1,031,612. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2020	2019
Revenues		
Property taxes, penalties and interest	\$ 1,713,263	\$ 1,633,982
Water and sewer service	748,581	685,538
Other	741,569	549,345
Total revenues	<u>3,203,413</u>	<u>2,868,865</u>
Expenses		
Current service operations	2,121,395	1,607,266
Debt interest and fees	473,743	487,834
Depreciation	456,454	358,183
Total expenses	<u>3,051,592</u>	<u>2,453,283</u>
Change in net position before other item	151,821	415,582
Other item		
Capital recovery fees	879,791	
Change in net position	1,031,612	415,582
Net position, beginning of year	4,229,934	3,814,352
Net position, end of year	<u>\$ 5,261,546</u>	<u>\$ 4,229,934</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of April 30, 2020, were \$4,906,522, which consists of \$3,238,103 in the General Fund, \$1,531,916 in the Debt Service Fund, and \$136,503 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of April 30, 2020 and 2019 is as follows:

	2020	2019
Total assets	<u>\$ 3,821,652</u>	<u>\$ 2,750,643</u>
Total liabilities	\$ 577,211	\$ 490,308
Total deferred inflows	6,338	5,974
Total fund balance	<u>3,238,103</u>	<u>2,254,361</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 3,821,652</u>	<u>\$ 2,750,643</u>

Fort Bend County Municipal Utility District No. 162
Management's Discussion and Analysis
April 30, 2020

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

	<u>2020</u>	<u>2019</u>
Total revenues	\$ 2,202,436	\$ 1,844,689
Total expenditures	<u>(2,018,810)</u>	<u>(1,595,276)</u>
Revenues over expenditures	183,626	249,413
Other changes in fund balance	800,116	(284,698)
Net change in fund balance	<u>\$ 983,742</u>	<u>\$ (35,285)</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy and the provision of water, sewer, and fire protection services to customers within 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 the District increased the maintenance and operations component of the levy and 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.

As further discussed in Note 12, during the current year the District received \$879,791 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, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Total assets	<u>\$ 1,543,314</u>	<u>\$ 1,573,144</u>
Total deferred inflows	\$ 11,398	\$ 11,297
Total fund balance	<u>1,531,916</u>	<u>1,561,847</u>
Total deferred inflows and fund balance	<u>\$ 1,543,314</u>	<u>\$ 1,573,144</u>

Fort Bend County Municipal Utility District No. 162
Management's Discussion and Analysis
April 30, 2020

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

	2020	2019
Total revenues	\$ 994,590	\$ 994,494
Total expenditures	(1,024,521)	(1,018,437)
Revenues under expenditures	<u>\$ (29,931)</u>	<u>\$ (23,943)</u>

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues. The difference between these financial resources and debt service requirements resulted in changes 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.

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of April 30, 2020 and 2019 is as follows:

	2020	2019
Total assets	<u>\$ 136,545</u>	<u>\$ 392,423</u>
Total liabilities	\$ 42	\$ 158,261
Total fund balance	136,503	234,162
Total liabilities and fund balance	<u>\$ 136,545</u>	<u>\$ 392,423</u>

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

	2020	2019
Total revenues	\$ 5,923	\$ 26,508
Total expenditures	(183,257)	(2,251,506)
Revenues under expenditures	(177,334)	(2,224,998)
Other changes in fund balance	79,675	284,698
Net change in fund balance	<u>\$ (97,659)</u>	<u>\$ (1,940,300)</u>

The District's capital asset activity in the last two years has been for improvements to existing facilities.

General Fund Budgetary Highlights

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

Fort Bend County Municipal Utility District No. 162
Management's Discussion and Analysis
April 30, 2020

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$1,032,097 greater than budgeted. The *Budgetary Comparison Schedule* on page 36 of this report provides variance information per financial statement line item.

Capital Assets

Capital assets held by the District at April 30, 2020 and 2019 are summarized as follows:

	<u>2020</u>	<u>2019</u>
Capital assets not being depreciated		
Land and improvements	\$ 1,196,365	\$ 285,323
Construction in progress	70,341	800,995
	<u>1,266,706</u>	<u>1,086,318</u>
Capital assets being depreciated		
Infrastructure	18,212,015	15,598,116
Landscaping improvements	803,686	
	<u>19,015,701</u>	<u>15,598,116</u>
Less accumulated depreciation		
Infrastructure	(4,044,530)	(3,628,260)
Landscaping improvements	(40,184)	
	<u>(4,084,714)</u>	<u>(3,628,260)</u>
Depreciable capital assets, net	<u>14,930,987</u>	<u>11,969,856</u>
Capital assets, net	<u>\$ 16,197,693</u>	<u>\$ 13,056,174</u>

Capital asset additions during the current year include the following:

- Landscape improvements
- Still Creek Ranch detention and amenity basin
- Still Creek Ranch, Section 1 utilities
- Still Creek Ranch lift station and offsite utilities
- Highland Meadows detention basin
- Highland Meadows clearing and grubbing

The District's construction in progress is for engineering fees related to the non-potable water system and landscape improvements, Phase 2.

Long-Term Debt and Related Liabilities

As of April 30, 2020, the District owes \$3,517,301 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

Fort Bend County Municipal Utility District No. 162
Management's Discussion and Analysis
April 30, 2020

completion of construction. As discussed in Note 6, the District has an additional commitment in the amount of \$2,419,577 for projects under construction by the developers. As noted, the District will owe its developers for these projects upon completion of construction. The District intends to reimburse the developers 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, 2020 and 2019, the District had total bonded debt outstanding as shown below:

Series	2020	2019
2010	\$ 700,000	\$ 725,000
2013	1,355,000	1,400,000
2015	1,720,000	1,795,000
2015A Refunding	3,770,000	3,960,000
2017	3,750,000	3,925,000
2017A	1,215,000	1,270,000
	\$ 12,510,000	\$ 13,075,000

On November 5, 2019, the voters of the District authorized the District to issue an additional \$70,000,000 in unlimited tax bonds for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District.

At April 30, 2020, the District had \$84,140,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District; \$4,325,000 for parks and recreational facilities; and \$16,430,000 for refunding purposes.

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:

	2020 Actual	2021 Budget
Total revenues	\$ 2,202,436	\$ 1,845,872
Total expenditures	(2,018,810)	(1,952,079)
Revenues over/(under) expenditures	183,626	(106,207)
Other changes in fund balance	800,116	48,355
Net change in fund balance	983,742	(57,852)
Beginning fund balance	2,254,361	3,238,103
Ending fund balance	\$ 3,238,103	\$ 3,180,251

*Fort Bend County Municipal Utility District No. 162
Management's Discussion and Analysis
April 30, 2020*

Property Taxes

The District's property tax base increased approximately \$13,487,000 for the 2020 tax year from \$154,184,937 to \$167,671,831 based on preliminary values. This increase was primarily due to new construction in the District.

Infectious Disease Outlook (COVID-19)

As further discussed in Note 13, the World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory virus currently affecting many parts of the world, including the United States and Texas. The pandemic has negatively affected the economic growth and financial markets worldwide and within Texas. While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak could have an adverse effect on the District's operations and financial condition by negatively affecting property taxes and ad valorem tax revenues within the District.

Basic Financial Statements

Fort Bend County Municipal Utility District No. 162
Statement of Net Position and Governmental Funds Balance Sheet
April 30, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 183,106	\$ 1,437	\$ 100	\$ 184,643	\$ -	\$ 184,643
Investments	3,232,555	1,533,783	316,925	5,083,263		5,083,263
Taxes receivable	6,338	11,398		17,736		17,736
Customer service receivables, net	154,706			154,706		154,706
Internal balances	185,404	(4,924)	(180,480)			
Accrued interest receivable	16,382	1,620		18,002		18,002
Other receivables	43,161			43,161		43,161
Prepaid bond insurance, net					25,392	25,392
Capital assets not being depreciated					1,266,706	1,266,706
Capital assets, net					14,930,987	14,930,987
Total Assets	\$ 3,821,652	\$ 1,543,314	\$ 136,545	\$ 5,501,511	16,223,085	21,724,596
Deferred Outflows of Resources						
Deferred difference on refunding					284,612	284,612
Liabilities						
Accounts payable	\$ 467,662	\$ -	\$ 42	\$ 467,704		467,704
Other payables	1,320			1,320		1,320
Customer deposits	84,075			84,075		84,075
Unearned revenue	1,950			1,950		1,950
Developer escrow deposits	22,204			22,204		22,204
Accrued interest payable					74,634	74,634
Due to developers					3,517,301	3,517,301
Long-term debt						
Due within one year					570,000	570,000
Due after one year					12,008,474	12,008,474
Total Liabilities	577,211		42	577,253	16,170,409	16,747,662
Deferred Inflows of Resources						
Deferred property taxes	6,338	11,398		17,736	(17,736)	
Fund Balances/Net Position						
Fund Balances						
Restricted		1,531,916	136,503	1,668,419	(1,668,419)	
Unassigned	3,238,103			3,238,103	(3,238,103)	
Total Fund Balances	3,238,103	1,531,916	136,503	4,906,522	(4,906,522)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,821,652	\$ 1,543,314	\$ 136,545	\$ 5,501,511		
Net Position						
Net investment in capital assets					1,212,507	1,212,507
Restricted for debt service					1,468,680	1,468,680
Unrestricted					2,580,359	2,580,359
Total Net Position					\$ 5,261,546	\$ 5,261,546

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, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Water service	\$ 264,125	\$ -	\$ -	\$ 264,125	\$ -	\$ 264,125
Sewer service	484,456			484,456		484,456
Property taxes	718,505	963,065		1,681,570	(10)	1,681,560
Penalties and interest	27,413	3,816		31,229	474	31,703
Tap connection and inspection	200,834			200,834		200,834
Fire protection services	230,512			230,512		230,512
Surface water	177,067			177,067		177,067
Miscellaneous	49,381			49,381		49,381
Investment earnings	50,143	27,709	5,923	83,775		83,775
Total Revenues	2,202,436	994,590	5,923	3,202,949	464	3,203,413
Expenditures/Expenses						
Current service operations						
Professional fees	321,972		144,076	466,048		466,048
Contracted services	785,441			785,441		785,441
Repairs and maintenance	430,231			430,231		430,231
Utilities	74,823			74,823		74,823
Surface water	193,122			193,122		193,122
Administrative	96,526			96,526		96,526
Other	74,618		586	75,204		75,204
Capital outlay	42,077		38,595	80,672	(80,672)	
Debt service						
Principal		565,000		565,000	(565,000)	
Interest and fees		459,521		459,521	14,222	473,743
Depreciation					456,454	456,454
Total Expenditures/Expenses	2,018,810	1,024,521	183,257	3,226,588	(174,996)	3,051,592
Revenues Over/(Under)						
Expenditures/Expenses	183,626	(29,931)	(177,334)	(23,639)	175,460	151,821
Other Financing Sources/(Uses)						
Internal transfers	(79,675)		79,675			
Other Item						
Capital recovery fees	879,791			879,791		879,791
Net Change in Fund Balances	983,742	(29,931)	(97,659)	856,152	(856,152)	
Change in Net Position					1,031,612	1,031,612
Fund Balance/Net Position						
Beginning of the year	2,254,361	1,561,847	234,162	4,050,370	179,564	4,229,934
End of the year	\$ 3,238,103	\$ 1,531,916	\$ 136,503	\$ 4,906,522	\$ 355,024	\$ 5,261,546

See notes to basic financial statements.

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Fort Bend County Municipal Utility District No. 162
Notes to Basic Financial Statements
April 30, 2020

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. 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 August 15, 2019, the District approved letter annexation agreements with Palo Pinto Land Company (95.93 acres), Ernie and Brent Mahlmann (12 acres) and Arenosa Development Powerline LTD (292.663 acres). On November 18, 2019, the District approved an additional letter annexation agreement with Brent Mahlmann (55 acres).

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 Bond Insurance

Prepaid bond insurance reduces the District's borrowing costs and is, therefore, recorded as asset in the government-wide *Statement of Net Position* and amortized to interest expense over the life of the bonds.

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, 2020, an allowance of \$4,000 was provided for possible uncollectible water/sewer accounts. An allowance for possible uncollectible property taxes 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.

Note 1 – Summary of Significant Accounting Policies (continued)

Interfund Activity

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

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$5,000 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, 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 a refunding bond transaction 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 does not have any nonspendable fund balances.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District’s restricted fund 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 balances.

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

Unassigned - all other spendable amounts in the General Fund.

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

Fort Bend County Municipal Utility District No. 162
Notes to Basic Financial Statements
April 30, 2020

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 Basic Financial Statements
April 30, 2020

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	\$	4,906,522	
Prepaid bond insurance is recorded as an expenditure in the funds, but is recorded as a prepaid asset and amortized in the government-wide statements.			25,392
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.			
Historical cost	\$	20,282,407	
Less accumulated depreciation		<u>(4,084,714)</u>	
Change due to capital assets			16,197,693
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 <i>Statement of Net Position</i> and amortized to interest expense. It is not recorded in the fund statements because it is not a financial resource.			284,612
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		(12,578,474)	
Interest payable on bonds		<u>(74,634)</u>	
Change due to long-term debt			(12,653,108)
Amounts due to the District's developers for prefunded construction are recorded as a liability in the <i>Statement of Net Position</i> .			(3,517,301)
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		15,253	
Penalty and interest receivable		<u>2,483</u>	
Change due to property taxes			17,736
Total net position - governmental activities	<u>\$</u>		<u>5,261,546</u>

Fort Bend County Municipal Utility District No. 162
Notes to Basic Financial Statements
April 30, 2020

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	\$	856,152
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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.

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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.

Principal payments	\$ 565,000	
Interest expense accrual	(14,222)	
	550,778	550,778

In the *Statement of Activities*, the cost of capital assets is charged to depreciation expense over the estimated useful life of the asset.

Capital outlays	80,672	
Depreciation	(456,454)	
	(375,782)	(375,782)

Change in net position of governmental activities	\$ 1,031,612
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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 Basic Financial Statements
April 30, 2020

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, 2020, the District's investments consist of the following:

Type	Fund	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
Certificates of deposit	General	\$ 1,440,000			
	Debt Service	480,000			
		<u>1,920,000</u>	38%	N/A	N/A
TexPool	General	1,792,555			
	Debt Service	1,053,783			
	Capital Projects	316,925			
		<u>3,163,263</u>	62%	AAAm	31 days
Total		<u>\$ 5,083,263</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 Basic Financial Statements
April 30, 2020

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, 2020, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 4,924	Maintenance tax collections not remitted as of year end
General Fund	Capital Projects Fund	180,480	Bond application and professional fees paid by the General Fund

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

During the current year, the District transferred \$79,675 from the General Fund to the Capital Projects Fund for the cost of certain capital asset improvements.

Fort Bend County Municipal Utility District No. 162
Notes to Basic Financial Statements
April 30, 2020

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended April 30, 2020, is as follows:

	Beginning Balances	Adjustments	Retirements	Ending Balances
Capital assets not being depreciated				
Land and improvements	\$ 285,323	\$ 911,042	\$ -	\$ 1,196,365
Construction in progress	800,995	70,341	(800,995)	70,341
	<u>1,086,318</u>	<u>981,383</u>	<u>(800,995)</u>	<u>1,266,706</u>
Capital assets being depreciated				
Infrastructure	15,598,116	2,613,899		18,212,015
Landscaping improvements		803,686		803,686
	<u>15,598,116</u>	<u>3,417,585</u>		<u>19,015,701</u>
Less accumulated depreciation				
Infrastructure	(3,628,260)	(416,270)		(4,044,530)
Landscaping improvements		(40,184)		(40,184)
	<u>(3,628,260)</u>	<u>(456,454)</u>		<u>(4,084,714)</u>
Subtotal depreciable capital assets, net	<u>11,969,856</u>	<u>2,961,131</u>		<u>14,930,987</u>
Capital assets, net	<u>\$ 13,056,174</u>	<u>\$ 3,942,514</u>	<u>\$ (800,995)</u>	<u>\$ 16,197,693</u>

Depreciation expense for the current year was \$456,454.

The District has contractual commitments for construction projects as follows:

	Contract Amount	Amounts Paid	Remaining Commitment
Non-potable water	\$ 170,000	\$ -	\$ 170,000
Landscape improvements, Phase 2	256,589		256,589
	<u>\$ 426,589</u>	<u>\$ -</u>	<u>\$ 426,589</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 parks 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 Basic Financial Statements
April 30, 2020

Note 6 – Due to Developers (continued)

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

Due to developers, beginning of year	\$ -
Developer funded capital assets	3,517,301
Due to developers, end of year	<u>\$ 3,517,301</u>

In addition, the District will owe the developers approximately \$2,419,577, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District’s auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount	Amounts Paid	Remaining Commitment
Highland Meadows lift station	\$ 488,468	\$ 170,222	\$ 318,246
Utilities to serve Highland Meadows, Section 1	1,931,109	681,969	1,249,140
	<u>\$ 2,419,577</u>	<u>\$ 852,191</u>	<u>\$ 1,567,386</u>

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 12,510,000
Unamortized discounts	(122,966)
Unamortized premium	191,440
	<u>\$ 12,578,474</u>
Due within one year	<u>\$ 570,000</u>

Fort Bend County Municipal Utility District No. 162
Notes to Basic Financial Statements
April 30, 2020

Note 7 – Long-Term Debt (continued)

The District’s bonds payable at April 30, 2020, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2010	\$ 700,000	\$ 900,000	4.0% - 5.5%	September 1, 2012-2035	September 1, March 1	September 1, 2018
2013	1,355,000	1,600,000	3.0% - 5.0%	September 1, 2014-2037	September 1, March 1	September 1, 2021
2015	1,720,000	2,000,000	2.0% - 4.0%	September 1, 2016-2039	September 1, March 1	September 1, 2022
2015A Refunding	3,770,000	4,195,000	2.0% - 4.0%	September 1, 2016-2035	September 1, March 1	September 1, 2023
2017	3,750,000	4,100,000	2.0% - 3.0%	September 1, 2018-2040	September 1, March 1	September 1, 2024
2017A	1,215,000	1,325,000	2.5% - 4.0%	September 1, 2018-2040	September 1, March 1	September 1, 2024
	<u>\$ 12,510,000</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.

On November 5, 2019, the voters of the District authorized the District to issue an additional \$70,000,000 in unlimited tax bonds for water, sewer and drainage facilities. At April 30, 2020, the District had authorized but unissued bonds in the amount of \$84,140,000 for water, sewer and drainage facilities; \$4,325,000 for park and recreational facilities; and \$16,430,000 for refunding purposes.

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

Bonds payable, beginning of year	\$ 13,075,000
Bonds retired	<u>(565,000)</u>
Bonds payable, end of year	<u>\$ 12,510,000</u>

Fort Bend County Municipal Utility District No. 162
Notes to Basic Financial Statements
April 30, 2020

Note 7 – Long-Term Debt (continued)

As of April 30, 2020, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2021	\$ 570,000	\$ 439,993	\$ 1,009,993
2022	580,000	423,971	1,003,971
2023	585,000	407,545	992,545
2024	600,000	389,568	989,568
2025	610,000	369,731	979,731
2026	625,000	349,101	974,101
2027	645,000	327,603	972,603
2028	660,000	304,903	964,903
2029	675,000	280,881	955,881
2030	695,000	255,800	950,800
2031	710,000	229,772	939,772
2032	730,000	202,804	932,804
2033	755,000	174,753	929,753
2034	760,000	145,672	905,672
2035	715,000	115,826	830,826
2036	720,000	85,601	805,601
2037	460,000	61,575	521,575
2038	465,000	43,563	508,563
2039	355,000	27,900	382,900
2040	355,000	14,900	369,900
2041	240,000	4,200	244,200
	<u>\$ 12,510,000</u>	<u>\$ 4,655,662</u>	<u>\$ 17,165,662</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.

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.

Fort Bend County Municipal Utility District No. 162
Notes to Basic Financial Statements
April 30, 2020

Note 8 – Property Taxes (continued)

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2020 fiscal year was financed through the 2019 tax levy, pursuant to which the District levied property taxes of \$1.09 per \$100 of assessed value, of which \$0.465 was allocated to maintenance and operations and \$0.625 was allocated to debt service. The resulting tax levy was \$1,680,616 on the adjusted taxable value of \$154,184,937.

Total property taxes receivable, at April 30, 2020, consisted of the following:

Current year taxes receivable	\$	11,533
Prior years taxes receivable		3,720
		<hr/>
		15,253
Penalty and interest receivable		2,483
		<hr/>
Total property taxes receivable	\$	<u>17,736</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, and June 18, 2019. 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 1,412 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 recently annexed into the District under construction for the Lamar Consolidated Independent 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.

Note 10 – Groundwater Reduction Plan Participation Agreement (continued)

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, 2020, the District has recorded \$177,067 in revenues and \$193,122 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 \$234,100 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.

Note 12 – Capital Recovery Fees

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 into the boundaries of the District. Pursuant to the District's Rate Order, non-taxable users who are exempt from ad valorem taxation by the District, shall pay a tap fee equal to the District's actual costs of installing any necessary service lines plus the users pro-rata share of the District's actual costs of the facilities necessary to provide the service. During the current year, the District received \$879,791 from Lamar Consolidated Independent School District for capital recovery fees.

Note 13 - Interlocal Agreement with Fort Bend County

On April 3, 2020, 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. The agreement expires on September 30, 2020 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 \$85,443 for security services.

Note 14 – Infectious Disease Outlook (COVID-19)

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the “Pandemic”), which is currently affecting many parts of the world, including the United States and Texas. Federal, state and local governments have all taken actions to respond to the Pandemic, including disaster declarations by both the President of the United States and the Governor of Texas. On March 31, 2020, the Governor issued an executive order closing all non-essential businesses in the State. This order expired on April 30, 2020. Additionally, all the counties in the greater Houston area adopted various “Work Safe – Stay Home” orders. Such actions are focused on limiting instances where the public can congregate or interact with each other. These precautions resulted in the temporary closure of all non-essential businesses in the State.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting the economic growth and financial markets worldwide and within Texas. These negative impacts may reduce or negatively affect property taxes and ad valorem tax revenues within the District.

While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District’s operations and financial condition.

Note 15 – 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 16 – Subsequent Event

On July 2, 2020, the District approved a preliminary official statement and notice of sale for its Series 2020 Unlimited Tax Bonds in the amount of \$5,925,000. The acceptance of bids and award of sale is scheduled in August 2020. Proceeds of the bonds will be used to reimburse the District’s developers for infrastructure improvements in the District and finance the construction of various improvements.

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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, 2020*

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water service	\$ 246,000	\$ 264,125	\$ 18,125
Sewer service	462,000	484,456	22,456
Property taxes	611,495	718,505	107,010
Penalties and interest	30,350	27,413	(2,937)
Tap connection and inspection	3,000	200,834	197,834
Fire protection services	233,520	230,512	(3,008)
Surface water	158,400	177,067	18,667
Miscellaneous	29,500	49,381	19,881
Investment earnings	35,000	50,143	15,143
Total Revenues	1,809,265	2,202,436	393,171
Expenditures			
Current service operations			
Professional fees	143,500	321,972	(178,472)
Contracted services	649,020	785,441	(136,421)
Repairs and maintenance	474,300	430,231	44,069
Utilities	85,000	74,823	10,177
Surface water	150,000	193,122	(43,122)
Administrative	101,300	96,526	4,774
Other	50,500	74,618	(24,118)
Capital outlay	204,000	42,077	161,923
Total Expenditures	1,857,620	2,018,810	(161,190)
Revenues Over/(Under) Expenditures	(48,355)	183,626	231,981
Other Financing Uses			
Internal transfers		(79,675)	(79,675)
Other Item			
Capital recovery fees		879,791	879,791
Net Change in Fund Balance	(48,355)	983,742	1,032,097
Fund Balance			
Beginning of the year	2,254,361	2,254,361	
End of the year	\$ 2,206,006	\$ 3,238,103	\$ 1,032,097

Fort Bend County Municipal Utility District No. 162
Notes to Required Supplementary Information
April 30, 2020

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, 2020

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

(You may omit this information if your district does not provide retail services)

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:	\$ 35.34	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 \$ 54.78

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
less than 3/4"	1,018	1,010	x 1.0	1,010
1"	3	3	x 2.5	8
1.5"	4	4	x 5.0	20
2"	5	5	x 8.0	40
3"			x 15.0	
4"	1	1	x 25.0	25
6"			x 50.0	
8"	4	4	x 80.0	320
10"			x 115.0	
Total Water	1,035	1,027		1,423
Total Wastewater	1,028	1,020	x 1.0	1,020

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 162

TSI-1. Services and Rates

April 30, 2020

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):
(You may omit this information if your district does not provide water)

Gallons pumped into system:	<u>82,500,000</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>77,775,000</u>	(Gallons billed / Gallons pumped)
		<u>94.27%</u>

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

(You may omit this information if your district does not levy standby fees)

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 (required for first audit year or when information changes, otherwise this information may be omitted):

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, 2020*

Professional fees		
Legal	\$	226,233
Audit		10,750
Engineering		84,989
		<u>321,972</u>
Contracted services		
Bookkeeping		39,547
Operator		35,341
Tap connection and inspection		131,870
Appraisal district fees		7,819
Sludge removal		41,064
Fire protection services		234,100
Garbage collection		176,412
Security services		85,443
Storm water management		33,845
		<u>785,441</u>
Repairs and maintenance		<u>430,231</u>
Utilities		<u>74,823</u>
Surface water		<u>193,122</u>
Administrative		
Directors fees		16,200
Printing and office supplies		27,155
Insurance		16,220
Other		36,951
		<u>96,526</u>
Other		<u>74,618</u>
Capital outlay		<u>42,077</u>
Total expenditures	\$	<u><u>2,018,810</u></u>

Reporting of Utility Services in Accordance with HB 3693:

	<u>Usage</u>	<u>Cost</u>
Electrical	813,405 kWh	\$ 74,823
Water	N/A	N/A
Natural Gas	N/A	N/A

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 162

TSI-3. Investments

April 30, 2020

Fund	Interest Rate	Maturity Date	Balance at End of Year	Interest Receivable
General				
TexPool	Variable	N/A	\$ 1,792,555	\$ -
Certificates of deposit	2.75%	05/20/20	240,000	6,238
Certificates of deposit	1.35%	03/16/21	240,000	399
Certificates of deposit	1.25%	04/15/21	240,000	123
Certificates of deposit	2.70%	06/03/20	240,000	5,876
Certificates of deposit	1.64%	08/13/20	240,000	1,456
Certificates of deposit	2.11%	07/14/20	240,000	2,289
			<u>3,232,555</u>	<u>16,382</u>
Debt Service				
TexPool	Variable	N/A	1,043,479	
TexPool	Variable	N/A	10,304	
Certificates of deposit	1.70%	08/13/20	240,000	838
Certificates of deposit	1.65%	02/17/21	240,000	781
			<u>1,533,783</u>	<u>1,620</u>
Capital Projects				
TexPool	Variable	N/A	<u>316,925</u>	
Total - All Funds			<u>\$ 5,083,263</u>	<u>\$ 18,002</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 162
TSI-4. Taxes Levied and Receivable
April 30, 2020

	Maintenance Taxes	Debt Service Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 5,974	\$ 9,288	\$ 15,262	
Adjustments	348	595	943	
Adjusted Receivable	6,322	9,883	16,205	
2019 Original Tax Levy	713,898	959,540	1,673,438	
Adjustments	3,062	4,116	7,178	
Adjusted Tax Levy	716,960	963,656	1,680,616	
Total to be accounted for	723,282	973,539	1,696,821	
Tax collections:				
Current year	712,040	957,043	1,669,083	
Prior years	4,904	7,581	12,485	
Total Collections	716,944	964,624	1,681,568	
Taxes Receivable, End of Year	\$ 6,338	\$ 8,915	\$ 15,253	
Taxes Receivable, By Years				
2019	\$ 4,920	\$ 6,613	\$ 11,533	
2018	878	1,348	2,226	
2017	38	68	106	
2016 and prior	502	886	1,388	
Taxes Receivable, End of Year	\$ 6,338	\$ 8,915	\$ 15,253	
	2019	2018	2017	2016
Property Valuations:				
Land	\$ 30,246,990	\$ 29,015,440	\$ 28,465,680	\$ 28,465,660
Improvements	126,295,070	122,764,020	118,694,010	115,991,410
Personal Property	988,220	843,500	762,880	747,360
Exemptions	(3,345,343)	(5,993,700)	(8,433,622)	(12,014,056)
Total Property Valuations	\$ 154,184,937	\$ 146,629,260	\$ 139,488,948	\$ 133,190,374
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.465	\$ 0.43	\$ 0.39	\$ 0.39
Debt service tax rates	0.625	0.66	0.70	0.70
	\$ 1.090	\$ 1.09	\$ 1.09	\$ 1.09
Adjusted Tax Levy:	\$ 1,680,616	\$ 1,598,259	\$ 1,520,430	\$ 1,451,775
Percentage of Taxes Collected to Taxes Levied **	99.31%	99.86%	99.99%	99.93%

* 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 2010--by Years
April 30, 2020

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2021	\$ 25,000	\$ 37,166	\$ 62,166
2022	25,000	35,931	60,931
2023	25,000	34,681	59,681
2024	25,000	33,416	58,416
2025	25,000	32,112	57,112
2026	25,000	30,788	55,788
2027	25,000	29,453	54,453
2028	25,000	28,109	53,109
2029	25,000	26,766	51,766
2030	25,000	25,422	50,422
2031	25,000	24,062	49,062
2032	25,000	22,688	47,688
2033	25,000	21,312	46,312
2034	25,000	19,938	44,938
2035	175,000	14,438	189,438
2036	175,000	4,813	179,813
	<u>\$ 700,000</u>	<u>\$ 421,095</u>	<u>\$ 1,121,095</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 162
TSI-5. Long-Term Debt Service Requirements
Series 2013--by Years
April 30, 2020

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2021	\$ 45,000	\$ 59,527	\$ 104,527
2022	50,000	58,103	108,103
2023	50,000	56,539	106,539
2024	55,000	54,765	109,765
2025	55,000	52,757	107,757
2026	60,000	50,513	110,513
2027	65,000	48,013	113,013
2028	65,000	45,331	110,331
2029	70,000	42,419	112,419
2030	75,000	39,200	114,200
2031	80,000	35,663	115,663
2032	85,000	31,794	116,794
2033	90,000	27,638	117,638
2034	90,000	23,250	113,250
2035	95,000	18,625	113,625
2036	100,000	13,750	113,750
2037	110,000	8,500	118,500
2038	115,000	2,875	117,875
	<u>\$ 1,355,000</u>	<u>\$ 669,262</u>	<u>\$ 2,024,262</u>

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, 2020

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2021	\$ 75,000	\$ 58,500	\$ 133,500
2022	75,000	56,625	131,625
2023	75,000	54,375	129,375
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>\$ 1,720,000</u>	<u>\$ 693,869</u>	<u>\$ 2,413,869</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, 2020

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2021	\$ 195,000	\$ 141,875	\$ 336,875
2022	200,000	135,950	335,950
2023	205,000	129,875	334,875
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>\$ 3,770,000</u>	<u>\$ 1,206,300</u>	<u>\$ 4,976,300</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, 2020

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2021	\$ 175,000	\$ 107,150	\$ 282,150
2022	175,000	103,650	278,650
2023	175,000	100,150	275,150
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>\$ 3,750,000</u>	<u>\$ 1,253,924</u>	<u>\$ 5,003,924</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, 2020

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2021	\$ 55,000	\$ 35,775	\$ 90,775
2022	55,000	33,712	88,712
2023	55,000	31,925	86,925
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>\$ 1,215,000</u>	<u>\$ 411,212</u>	<u>\$ 1,626,212</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, 2020

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2021	\$ 570,000	\$ 439,993	\$ 1,009,993
2022	580,000	423,971	1,003,971
2023	585,000	407,545	992,545
2024	600,000	389,568	989,568
2025	610,000	369,731	979,731
2026	625,000	349,101	974,101
2027	645,000	327,603	972,603
2028	660,000	304,903	964,903
2029	675,000	280,881	955,881
2030	695,000	255,800	950,800
2031	710,000	229,772	939,772
2032	730,000	202,804	932,804
2033	755,000	174,753	929,753
2034	760,000	145,672	905,672
2035	715,000	115,826	830,826
2036	720,000	85,601	805,601
2037	460,000	61,575	521,575
2038	465,000	43,563	508,563
2039	355,000	27,900	382,900
2040	355,000	14,900	369,900
2041	240,000	4,200	244,200
	<u>\$ 12,510,000</u>	<u>\$ 4,655,662</u>	<u>\$ 17,165,662</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 162
TSI-6. Change in Long-Term Bonded Debt
April 30, 2020

	Bond Issue			
	Series 2010	Series 2013	Series 2015	Series 2015A Refunding
Interest rate	4.0% - 5.5%	3.0% - 5.0%	2.0% - 4.0%	2.0% - 4.0%
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1
Maturity dates	9/1/12 - 9/1/35	9/1/14 - 9/1/37	9/1/16 - 9/1/39	9/1/16 - 9/1/35
Beginning bonds outstanding	\$ 725,000	\$ 1,400,000	\$ 1,795,000	\$ 3,960,000
Bonds retired	(25,000)	(45,000)	(75,000)	(190,000)
Ending bonds outstanding	<u>\$ 700,000</u>	<u>\$ 1,355,000</u>	<u>\$ 1,720,000</u>	<u>\$ 3,770,000</u>
Interest paid during fiscal year	<u>\$ 38,369</u>	<u>\$ 60,877</u>	<u>\$ 60,000</u>	<u>\$ 147,650</u>
Paying agent's name and city				
Series 2015, 2015A Refunding, Series 2017 and Series 2017A	<u>The Bank of New York Mellon Trust Company, N.A., Dallas, Texas</u>			
All other series	<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	\$ 97,735,000	\$ 5,650,000	\$ 16,645,000	
Amount Issued	(13,595,000)	(1,325,000)	(215,000)	
Remaining To Be Issued	<u>\$ 84,140,000</u>	<u>\$ 4,325,000</u>	<u>\$ 16,430,000</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, 2020: \$ 1,535,220

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 817,412

See accompanying auditors' report.

Bond Issue

Series 2017	Series 2017A	Totals
2.0% - 3.0%	2.5% - 4.0%	
9/1; 3/1	9/1; 3/1	
9/1/18 -	9/1/18 -	
9/1/40	9/1/40	
\$ 3,925,000	\$ 1,270,000	\$ 13,075,000
<u>(175,000)</u>	<u>(55,000)</u>	<u>(565,000)</u>
<u>\$ 3,750,000</u>	<u>\$ 1,215,000</u>	<u>\$ 12,510,000</u>
<u>\$ 110,650</u>	<u>\$ 37,975</u>	<u>\$ 455,521</u>

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				
	2020	2019	2018	2017	2016
Revenues					
Water service	\$ 264,125	\$ 233,622	\$ 257,481	\$ 268,943	\$ 267,922
Sewer service	484,456	451,916	469,860	446,580	489,432
Property taxes	718,505	629,248	540,870	519,639	466,684
Penalties and interest	27,413	32,691	26,472	32,167	31,595
Tap connection and inspection	200,834				
Fire protection services	230,512	236,955	225,883	232,457	235,868
Surface water	177,067	164,270	155,018	164,318	150,805
Miscellaneous	49,381	48,685	23,233	31,418	32,819
Investment earnings	50,143	47,302	22,538	7,253	2,243
Total Revenues	2,202,436	1,844,689	1,721,355	1,702,775	1,677,368
Expenditures					
Current service operations					
Professional fees	321,972	265,260	209,553	131,663	105,194
Contracted services	785,441	588,238	603,251	528,927	594,504
Repairs and maintenance	430,231	400,152	359,712	226,735	254,521
Utilities	74,823	77,133	63,763	69,824	72,535
Surface water	193,122	155,800	143,403	150,033	132,146
Administrative	96,526	75,347	66,341	94,836	69,071
Other	74,618	33,346	47,250	21,827	27,727
Capital outlay	42,077				
Total Expenditures	2,018,810	1,595,276	1,493,273	1,223,845	1,255,698
Revenues Over Expenditures	\$ 183,626	\$ 249,413	\$ 228,082	\$ 478,930	\$ 421,670

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2020	2019	2018	2017	2016
12%	13%	16%	16%	16%
22%	24%	27%	26%	29%
34%	34%	31%	31%	28%
1%	2%	2%	2%	2%
9%				
10%	13%	13%	14%	14%
8%	9%	9%	10%	9%
2%	3%	1%	1%	2%
2%	2%	1%	*	*
100%	100%	100%	100%	100%
15%	14%	12%	8%	6%
36%	32%	35%	31%	35%
20%	22%	21%	13%	15%
3%	4%	4%	4%	4%
9%	8%	8%	9%	8%
4%	4%	4%	6%	4%
3%	2%	3%	1%	2%
2%				
92%	86%	87%	72%	74%
8%	14%	13%	28%	26%

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				
	2020	2019	2018	2017	2016
Revenues					
Property taxes	\$ 963,065	\$ 966,943	\$ 970,006	\$ 932,671	\$ 837,212
Penalties and interest	3,816	1,926			
Accrued interest on bonds sold					12,984
Miscellaneous		2,113			
Investment earnings	27,709	23,512	11,314	4,364	1,326
Total Revenues	994,590	994,494	981,320	937,035	851,522
Expenditures					
Debt service					
Principal	565,000	545,000	305,000	315,000	185,000
Interest and fees	459,521	473,437	428,488	341,334	334,140
Debt issuance costs					139,881
Total Expenditures	1,024,521	1,018,437	733,488	656,334	659,021
Revenues Over/(Under) Expenditures	\$ (29,931)	\$ (23,943)	\$ 247,832	\$ 280,701	\$ 192,501
Total Active Retail Water Connections	1,027	973	972	964	966
Total Active Retail Wastewater Connections	1,020	963	963	955	957

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2020	2019	2018	2017	2016
97%	97%	99%	100%	98%
*	*			2%
	*			
3%	3%	1%	*	*
100%	100%	100%	100%	100%
57%	55%	31%	34%	22%
46%	48%	44%	36%	39%
				16%
103%	103%	75%	70%	77%
(3%)	(3%)	25%	30%	23%

Fort Bend County Municipal Utility District No. 162
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended April 30, 2020

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): February 13, 2020
 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	\$ 2,400	\$ 1,722	President
Michael Gutierrez	5/20 - 5/24	3,000	2,414	Vice President
Elvira Garcia	5/18 - 5/22	3,000	2,603	Assistant Vice President
Floyd Martinez	11/18 - 5/22	3,300	2,469	Secretary
Gary Braxton	5/20 - 5/24	600	14	Assistant Secretary
Mario Rios	5/16 - 12/19	1,500	1,057	Former Director
Consultants				
		<u>Amounts Paid</u>		
Allen Boone Humphries Robinson LLP <i>General legal fees</i>	2006	\$ 323,816		Attorney
Si Environmental, LLC	2013	333,842		Operator
Municipal Accounts & Consulting LP	2018	44,318		Bookkeeper
Fort Bend County	2014	579		Tax Collector
Fort Bend Central Appraisal District	Legislation	7,822		Property Valuation
Perdue Brandon Fielder Collins & Mott, LLP	2006			Delinquent Tax Attorney
McGrath & Co., PLLC	2011	10,750		Auditor
Masterson Advisors, LLC	2018			Financial Advisor
Odyssey Engineering Group	2016	233,471		Engineer
Greenscape Landscaping	2014	132,940		Landscape Architect
McLennan & Associates, LP	2007	7,455		Former Bookkeeper

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