OFFICIAL STATEMENT DATED MARCH 15, 2023

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

THE BONDS HAVE BEEN DESIGNATED "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "TAX MATTERS—QUALIFIED TAX-EXEMPT OBLIGATIONS."

BOOK ENTRY ONLY

Insured Rating (BAM): S&P "AA" (stable outlook)
Underlying Rating: Moody's "A3"
See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE" herein.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 123

(A political subdivision of the State of Texas located within Fort Bend County)

$2,560,000
UNLIMITED TAX BONDS
SERIES 2023

$3,000,000
UNLIMITED TAX PARK BONDS
SERIES 2023A

Dated Date: April 1, 2023
Interest accrual date: Date of Delivery

Due: September 1, as shown below

The $2,560,000 Unlimited Tax Bonds, Series 2023 (the "Series 2023 Bonds") and the $3,000,000 Unlimited Tax Park Bonds, Series 2023A (the "Series 2023A Park Bonds") (collectively referred herein as the "Bonds") are obligations solely of Fort Bend County Municipal Utility District No. 123 (the "District"), and are not obligations of the State of Texas, Fort Bend County, Texas, the City of Houston, Texas, or any entity other than the District. 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."

Principal of the Bonds is payable at maturity or prior redemption at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A. in Dallas, Texas (the "Paying Agent/Registrar"). Interest on the Bonds accrues from the initial date of delivery (expected to be April 20, 2023) (the "Date of Delivery") and is payable on each September 1 and March 1 (each an "Interest Payment Date") commencing September 1, 2023, until maturity or prior redemption. The Bonds will be issued only in fully registered form and in denominations of $5,000 each or integral multiples thereof. The Bonds mature and are subject to redemption prior to their maturity as shown on the inside cover.

The Bonds will be registered and delivered only 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 (as defined herein under "BOOK-ENTRY-ONLY SYSTEM") of the Bonds will not receive physical certificates representing the Bonds but will receive a credit balance on the books of the DTC participants. 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, as herein defined, directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the Beneficial Owners. See "BOOK-ENTRY-ONLY SYSTEM."

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under separate municipal bond insurance policies (collectively, the "Policy") to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY. See "MUNICIPAL BOND INSURANCE" herein.

See "MATURITY SCHEDULES" on the inside cover.

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 upon all taxable property within the District, as further described herein.

The Bonds are offered when, as and if issued by the District, 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, Houston, Texas. Delivery of the Bonds in book-entry form through DTC is expected on or about April 20, 2023.

MATURITY SCHEDULES

$2,560,000
SERIES 2023 BONDS

Due (Sept. 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (c)	Due (Sept. 1)	Principal Amount		Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (c)
2024	$ 100,000	5.00%	3.20%	34682E QM8	2038	$ 100,000	(b)	4.00%	4.00%	34682E RB1
2025	100,000	5.00	3.22	34682E QN6	2039	100,000	(b)	4.00	4.03	34682E RC9
2026	100,000	5.00	3.24	34682E QP1	2040	100,000	(b)	4.00	4.05	34682E RD7
2027	100,000	5.00	3.26	34682E QQ9	2041	140,000	(b)	4.00	4.08	34682E RE5
2028	100,000	5.00	3.28	34682E QR7	2042	140,000	(b)	4.00	4.11	34682E RF2
2029	100,000	5.00	3.30	34682E QS5	2043	140,000	(b)	4.00	4.14	34682E RG0
***	***	***	***	***	2044	140,000	(b)	4.00	4.17	34682E RH8

$200,000 Term Bonds due September 1, 2031 (b), 34682E QU0 (c), 4.00% Interest Rate, 3.35% Yield (a)
$200,000 Term Bonds due September 1, 2033 (b), 34682E QW6 (c), 4.00% Interest Rate, 3.45% Yield (a)
$200,000 Term Bonds due September 1, 2035 (b), 34682E QY2 (c), 4.00% Interest Rate, 3.60% Yield (a)
$200,000 Term Bonds due September 1, 2037 (b), 34682E RA3 (c), 4.00% Interest Rate, 3.85% Yield (a)
$300,000 Term Bonds due September 1, 2046 (b), 34682E RK1 (c), 4.00% Interest Rate, 4.25% Yield (a)

$3,000,000
SERIES 2023A PARK BONDS

Due (Sept. 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (c)	Due (Sept. 1)	Principal Amount		Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (c)
2024	$ 100,000	5.00%	3.20%	34682E RL9	2038	$ 175,000	(b)	4.00%	4.00%	34682E SA2
2025	100,000	5.00	3.22	34682E RM7	2039	175,000	(b)	4.00	4.03	34682E SB0
2026	100,000	5.00	3.24	34682E RN5	2040	175,000	(b)	4.00	4.05	34682E SC8
2027	100,000	5.00	3.26	34682E RP0	2041	175,000	(b)	4.00	4.08	34682E SD6
2028	100,000	5.00	3.28	34682E RQ8	2042	175,000	(b)	4.00	4.11	34682E SE4
2029	100,000	5.00	3.30	34682E RR6	2043	175,000	(b)	4.00	4.14	34682E SF1
***	***	***	***	***	2044	175,000	(b)	4.00	4.17	34682E SG9

$200,000 Term Bonds due September 1, 2031 (b), 34682E RT2 (c), 4.00% Interest Rate, 3.35% Yield (a)
$200,000 Term Bonds due September 1, 2033 (b), 34682E RV7 (c), 4.00% Interest Rate, 3.45% Yield (a)
$200,000 Term Bonds due September 1, 2035 (b), 34682E RX3 (c), 4.00% Interest Rate, 3.60% Yield (a)
$225,000 Term Bonds due September 1, 2037 (b), 34682E RZ8 (c), 4.00% Interest Rate, 3.85% Yield (a)
$350,000 Term Bonds due September 1, 2046 (b), 34682E SJ3 (c), 4.00% Interest Rate, 4.25% Yield (a)

(a) Initial yield represents the initial offering yield to the public, which has been established by the Initial Purchasers for offers to the public and which subsequently may be changed.
(b) The Bonds maturing on or after September 1, 2030 are subject to redemption prior to maturity at the option of the District, in whole or, from time to time in part, on September 1, 2029, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. The Term Bonds (as defined herein) are also subject to mandatory sinking fund redemption as more fully described herein. See "THE BONDS—Redemption Provisions."
(c) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Initial Purchasers shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

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

Neither the District nor the Initial Purchasers make any representations as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.

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

OFFICIAL STATEMENT SUMMARY

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

THE FINANCING

Description... The $2,560,000 Unlimited Tax Bonds, Series 2023 (the "Series 2023 Bonds") and the $3,000,000 Unlimited Tax Park Bonds, Series 2023A (the "Series 2023A Park Bonds") (collectively referred herein as the "Bonds") are being issued as fully registered bonds pursuant to separate resolutions (collectively, the "Bond Resolutions") authorizing the issuance of each series of the Bonds adopted by the District's Board of Directors (the "Board"). The Series 2023 Bonds are scheduled to mature serially on September 1 in each of the years 2024 through 2029, both inclusive, and 2038 through 2044, both inclusive, and as term bonds maturing on September 1 in each of the years 2031, 2033, 2035, 2037 and 2046 (the "Series 2023 Term Bonds") in the principal amounts and accrue interest at the rates shown on the inside cover hereof. The Series 2023A Park Bonds are scheduled to mature serially on September 1 in each of the years 2024 through 2029, both inclusive, and 2038 through 2044, both inclusive, and as term bonds maturing on September 1 in each of the years 2031, 2033, 2035, 2037 and 2046 (the "Series 2023A Park Term Bonds") in the principal amounts and accrue interest at the rates shown on the inside cover hereof. The Series 2023 Term Bonds and the Series 2023A Park Term Bonds shall be referred to herein collectively as the "Term Bonds." The Bonds will be issued in denominations of $5,000 or integral multiples of $5,000. Interest on the Bonds accrues from the Date of Delivery, and is payable on September 1, 2023, and on each September 1 and March 1 thereafter, until maturity or prior redemption. See "THE BONDS" and "BOOK-ENTRY-ONLY SYSTEM."

Book-Entry-Only System... The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each series and maturity of the Bonds and will be deposited with DTC or its designee. See "BOOK-ENTRY-ONLY SYSTEM."

Redemption... The Bonds maturing on or after September 1, 2030, are subject to redemption prior to maturity at the option of the District, in whole or, from time to time in part, on September 1, 2029, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. The Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. See "THE BONDS—Redemption Provisions."

Use of Proceeds... Proceeds of the Series 2023 Bonds will be used to pay for the construction costs shown herein under "USE AND DISTRIBUTION OF BOND PROCEEDS—SERIES 2023 BONDS." Proceeds of the Series 2023A Park Bonds will be used to pay for the construction costs shown herein under "USE AND DISTRIBUTION OF BONDS PROCEEDS—SERIES 2023A PARK BONDS" and "THE PARK SYSTEM." In addition, Bond proceeds will be used to pay engineering fees and administrative costs and certain other costs related to the issuance of the Bonds.

Authority for Issuance... At elections held within the District on May 4, 2002 and November 2, 2021, voters authorized a total of $55,000,000 principal amount of unlimited tax bonds for purposes of acquiring or constructing water, sanitary sewer and drainage facilities and $3,000,000 principal amount of unlimited tax bonds for purposes of parks and recreation facilities, respectively. The Series 2023 Bonds are the twelfth issue out of such authorization for water and drainage facilities and the Series 2023A Park Bonds are the first issue out of such authorization for park and recreational facilities. See "THE BONDS—Authority for Issuance." The Bonds are issued by the District pursuant to the terms and provisions of the Bond Resolutions, an order of the TCEQ (defined herein), Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

Source of Payment... Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The Bonds are obligations of the District and are not obligations of the City of Houston, Fort Bend County, the State of Texas or any entity other than the District. See "THE BONDS—Source and Security for Payment."

Payment Record... The District has previously issued eleven series of unlimited tax bonds for water, sanitary sewer and drainage facilities and five series of unlimited tax refunding bonds in the aggregate principal amount of $64,040,000, $31,335,000 of which remain outstanding as of the date hereof (the "Outstanding Bonds"). The District has never defaulted in the payment of principal and interest on the Outstanding Bonds.

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

Municipal Bond Rating and Municipal Bond Insurance... S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") has assigned a municipal bond rating of "AA" (stable outlook) to the Bonds with the understanding that, upon delivery of the Bonds, separate municipal bond insurance policies ensuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company ("BAM"). Moody's Investors Service, Inc. ("Moody's") has assigned an underlying rating of "A3" to the Bonds. An explanation of the ratings may be obtained from S&P and Moody's. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE."

Bond Counsel... Allen Boone Humphries Robinson, LLP, Houston, Texas. See "MANAGEMENT OF THE DISTRICT—District Consultants" and "LEGAL MATTERS."

Financial Advisor... Masterson Advisors LLC, Houston, Texas.

Disclosure Counsel... McCall, Parkhurst & Horton L.L.P., Houston, Texas. See "LEGAL MATTERS."

Paying Agent/Registrar... The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See "THE BONDS—Method of Payment of Principal and Interest."

THE DISTRICT

Description... The District was created by order of the Texas Natural Resources Conservation Commission, now known as the Texas Commission on Environmental Quality (the "Commission" or "TCEQ"), dated November 21, 2000. The District presently contains approximately 491 acres of land located in northern Fort Bend County, approximately 25 miles southwest of downtown Houston, Texas and approximately 10 miles southeast of the City of Katy. The northeastern portion of the District is bordered on the north by FM 1093 and on the south by Bellaire Boulevard. The southwestern portion of the District is bordered on the north by Bellaire Boulevard and on the south by Beechnut Boulevard. The District lies entirely within the extraterritorial jurisdiction of the City of Houston and within the boundaries of Lamar Consolidated Independent School District. See "AERIAL PHOTOGRAPH" herein.

Status of Development... The District has been developed primarily for single-family residential purposes. Construction of water, sanitary sewer and drainage facilities and street paving to serve Lakemont Terrace, Sections 1 through 3; Lakemont Meadows, Sections 1 through 3; Lakemont Court, Section 1; Lakemont Grove, Section 1; Lakemont Manor, Sections 1 through 3; Lakemont Ridge, Sections 1 and 2, Lakemont Shores, Sections 1, through 3, Lakemont Lake Bend, Sections 1 and 2, and Lakemont West Ridge, Section 1 and 2 (cumulatively approximately 417 acres of land developed into 1,384 single-family residential lots) has been completed. As of January 19, 2023, the District contained 1,378 single-family homes completed and occupied and 4 single-family homes completed and unoccupied and 2 residential single-family lots that are used as parks. For tax year 2022, the average home value within the District was approximately $281,000.

In addition to the development described above, the District contains approximately 5 acres of commercial reserves served with utilities. A day care center has been built on a portion of the commercial reserves. A 12 acre site served with trunk facilities has been acquired by the District to be used for recreational facilities. See "USE AND DISTRIBUTION OF BOND PROCEEDS.". Approximately 47 acres of land are contained in drainage easements, rights-of-way and District plant/drill sites and 10 acres are included in permanent flood plain area which represents the remaining acreage for Long Point Slough, a drainage channel located within the District. See "THE DISTRICT—Status of Development" and "THE PARK SYSTEM."

Overlapping Districts and Taxes…

Land within the District is subject to taxation by other jurisdictions in addition to the District, including Fort Bend County Levee Improvement District No. 12 ("LID 12"), which provides certain storm water conveyance facilities for land within its boundaries, including land within the District. LID 12 has adopted a 2022 tax rate in the amount of $0.065 per $100 of taxable assessed valuation, comprised of $0.035 for debt service and $0.030 for maintenance. LID 12 has $9,455,000 principal amount of unlimited tax bonds outstanding as of the date hereof. Taxes levied by LID 12 are in addition to taxes levied by the District. See "INVESTMENT CONSIDERATIONS—Overlapping Debt Obligations" and "ESTIMATED OVERLAPPING DEBT STATEMENT."

INVESTMENT CONSIDERATIONS

The purchase and ownership of the Bonds are subject to special risk factors 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

2022 Certified Taxable Assessed Valuation	$414,550,374	(a)
Gross Direct Debt Outstanding (the Bonds and the Outstanding Bonds)	$36,895,000	(b)
Estimated Overlapping Debt	34,450,227	(c)
Gross Direct Debt and Estimated Overlapping Debt	$71,345,227	
Ratio of Gross Direct Debt to:		
2022 Certified Taxable Assessed Valuation	8.90%	
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:		
2022 Certified Taxable Assessed Valuation	17.21%	
2022 Debt Service Tax Rate	$0.665	
2022 Maintenance Tax Rate	0.360	
2022 Total Tax Rate	$1.025	
Average percentage of total tax collections (2018-2022)	99.13%	
Average Annual Debt Service Requirement (2023-2046)	$2,045,308	
Maximum Annual Debt Service Requirement (2024)	$2,736,504	
Tax Rates Required to Pay Average Annual Debt Service (2023-2046) at a 95% Collection Rate:		
Based upon 2022 Certified Taxable Assessed Valuation	$0.52	(d)
Tax Rates Required to Pay Maximum Annual Debt Service (2024) at a 95% Collection Rate:		
Based upon 2022 Certified Taxable Assessed Valuation	$0.70	(d)

Connection Count as of January 19, 2023 (e):

Single-family residential – completed and occupied	1,378
Single-family residential – completed and unoccupied	4
Commercial Connections	3
Other Connections	18
Total	1,403

Estimated 2023 Population — 4,823 (f)

(a) As certified by the Fort Bend Central Appraisal District (the “Appraisal District”). See “TAX PROCEDURES.”
(b) After the issuance of the Bonds. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds.”
(c) See “ESTIMATED OVERLAPPING DEBT STATEMENT.”
(d) See “DEBT SERVICE REQUIREMENTS” and “TAX DATA—Tax Adequacy for Debt Service.”
(e) See “THE DISTRICT.”
(f) Based upon 3.5 persons per occupied single-family residence.

OFFICIAL STATEMENT

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 123

(A political subdivision of the State of Texas located within Fort Bend County)

$2,560,000 UNLIMITED TAX BONDS SERIES 2023	$3,000,000 UNLIMITED TAX PARK BONDS SERIES 2023A

This Official Statement provides certain information in connection with the issuance by Fort Bend County Municipal Utility District No. 123 (the "District") of its $2,560,000 Unlimited Tax Bonds, Series 2023 (the "Series 2023 Bonds") and the $3,000,000 Unlimited Tax Park Bonds, Series 2023A (the "Series 2023A Park Bonds") (collectively referred herein as 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, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas, separate resolutions authorizing, respectively, the issuance of the Series 2023 Bonds and the Series 2023A Park Bonds (collectively the "Bond Resolutions") adopted by the Board of Directors of the District (the "Board"), an order of the Texas Commission on Environmental Quality (the "TCEQ" or the "Commission") and elections held within the District.

This Official Statement includes descriptions, among others, of the Bonds and the Bond Resolutions and 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 certain of the documents may be obtained from Allen Boone Humphries Robinson, LLP, Bond Counsel, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027, upon payment of duplication costs therefor.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Resolutions. The Bond Resolutions authorize the issuance and sale of the Bonds and prescribe the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

Description

The Bonds will be dated April 1, 2023, with interest payable on September 1, 2023, and on each March 1 and September 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds initially accrues from the Date of Delivery, and thereafter, from the most recent Interest Payment Date. The Bonds mature on September 1 of the years and in the principal amounts and accrue interest at the rates shown under "MATURITY SCHEDULES" on the inside cover page hereof. The Bonds are issued in fully registered form only in denominations of $5,000 or any integral multiple of $5,000 for any one maturity. The Bonds will be registered and delivered only to The Depository Trust Company, New York, New York ("DTC"), in its nominee name of Cede & Co., pursuant to the book-entry system described herein ("Registered Owners"). No physical delivery of the Bonds will be made to the purchasers thereof. See "BOOK-ENTRY-ONLY SYSTEM." Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.

Under certain limited circumstances described further in the Bond Resolutions, the District may determine to forego immobilization of the Bonds at DTC, or another securities depository, in which case, the interests of each Beneficial Owner (as defined herein under "BOOK-ENTRY-ONLY SYSTEM.") with respect to the Bonds or any particular Bond would become exchangeable for one or more fully registered Bonds of like series and principal amount and the recipients of such exchange Bonds would be the Registered Owners (as defined below under "Registration") for all purposes described herein. See "BOOK-ENTRY-ONLY SYSTEM."

Authority for Issuance

At elections held within the District on May 4, 2002 and November 2, 2021, voters of the District authorized a total of $55,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and $3,000,000 principal amount of unlimited tax bonds for the purpose of parks and recreational facilities, respectively. The Series 2023 Bonds constitute the twelfth issuance from the water, sanitary sewer and drainage facilities authorization and the Series 2023A Park Bonds constitute the first issuance of bonds from the parks and recreational facilities authorization. The Bonds are issued by the District pursuant to the terms and provisions of the respective Bond Resolutions; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water 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 and an order of the TCEQ. See "THE BONDS—Issuance of Additional Debt."

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.

Source and Security for Payment

The Bonds, together with the Outstanding Bonds and any additional bonds payable from ad valorem taxes, are secured by and payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the District. See "TAX PROCEDURES." In the Bond Resolutions, 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. Investment in the Bonds involves certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the Bonds. See "INVESTMENT CONSIDERATIONS." The Bonds are obligations solely of the District and are not obligations of the City of Houston, Fort Bend County, the State of Texas, or any political subdivision or entity other than the District.

Funds

In the Bond Resolutions, 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 Resolutions shall be deposited, as collected, in such fund.

Proceeds from sale of the Bonds, including interest earnings thereon, shall be deposited into the respective Capital Projects Funds, to pay the costs of acquiring or constructing District facilities and for paying the costs of issuing the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Record Date

The record date for payment of the interest on any regularly scheduled Interest Payment Date is defined as the 15th day of the month (whether or not a business day) preceding such Interest Payment Date.

Redemption Provisions

Mandatory Redemption of the Series 2023 Term Bonds: The Series 2023 Bonds maturing on September 1 in each of the years 2031, 2033, 2035, 2037 and 2046 (the "Series 2023 Term Bonds") shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Mandatory Redemption Date"), on September 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District's reserved right of optional redemption, as provided under "Optional Redemption" below):

$200,000 Term Bonds Due September 1, 2031	
Mandatory Redemption Date	**Principal Amount**
2030	$ 100,000
2031 (maturity)	100,000

$200,000 Term Bonds Due September 1, 2033	
Mandatory Redemption Date	**Principal Amount**
2032	$ 100,000
2033 (maturity)	100,000

$200,000 Term Bonds Due September 1, 2035	
Mandatory Redemption Date	**Principal Amount**
2034	$ 100,000
2035 (maturity)	100,000

$200,000 Term Bonds Due September 1, 2037	
Mandatory Redemption Date	**Principal Amount**
2036	$ 100,000
2037 (maturity)	100,000

$300,000 Term Bonds Due September 1, 2046	
Mandatory Redemption Date	**Principal Amount**
2045	$ 150,000
2046 (maturity)	150,000

Mandatory Redemption of the Series 2023A Park Term Bonds: The Series 2023A Park Bonds maturing on September 1 in each of the years 2031, 2033, 2035, 2037 and 2046 (the "Series 2023A Park Term Bonds" and together with the Series 2023 Term Bonds, the "Term Bonds") shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Mandatory Redemption Date"), on September 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District's reserved right of optional redemption, as provided under "Optional Redemption" below):

$200,000 Term Bonds Due September 1, 2031		$200,000 Term Bonds Due September 1, 2033		$200,000 Term Bonds Due September 1, 2035	
Mandatory Redemption Date	**Principal Amount**	**Mandatory Redemption Date**	**Principal Amount**	**Mandatory Redemption Date**	**Principal Amount**
2030	$ 100,000	2032	$ 100,000	2034	$ 100,000
2031 (maturity)	100,000	2033 (maturity)	100,000	2035 (maturity)	100,000

$225,000 Term Bonds Due September 1, 2037		$350,000 Term Bonds Due September 1, 2046	
Mandatory Redemption Date	**Principal Amount**	**Mandatory Redemption Date**	**Principal Amount**
2036	$ 100,000	2045	$ 175,000
2037 (maturity)	125,000	2046 (maturity)	175,000

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

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2030 prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of $5,000, on September 1, 2029, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular series and maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same series and maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures. See "BOOK-ENTRY-ONLY SYSTEM." Notice of each exercise of the reserved right of optional redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the redemption date, in the manner specified in the Bond Resolutions.

By the redemption date, due provision shall be made with the Paying Agent/Registrar for payment of the principal of the Bonds or portions thereof to be redeemed, plus accrued interest to the redemption date. 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.

Method of Payment of Principal and Interest

In the Bond Resolutions, the Board has appointed The Bank of New York Mellon Trust Company NA, 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 (the “Registered Owner”) as of the close of business on 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 Resolutions.

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 Resolutions. While the Bonds are in the Book-Entry-Only System, the Bonds will be registered in the name of Cede & Co. and will not be transferred. See “BOOK-ENTRY-ONLY SYSTEM.”

Replacement of Paying Agent/Registrar

Provision is made in the Bond Resolutions 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.

Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System is 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, stolen or destroyed, 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.

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 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.

Issuance of Additional Debt

After issuance of the Series 2023 Bonds, the District will have $11,155,000 principal amount of unlimited tax bonds authorized but unissued for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities. The voters of the District have also authorized the issuance of $35,000,000 principal amount of unlimited tax refunding bonds, of which $34,061,603 principal amount of unlimited tax refunding bonds remain authorized but unissued. The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the park projects and bonds by the Commission; and (b) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of bonds issued to finance recreational facilities may not exceed one percent (1%), or in the event the District meets certain conditions, three percent (3%), of either the District's certified value or an estimate of value as provided by a certificate of the Appraisal District. The District has $3,000,000 principal amount of unlimited tax bonds for the purpose of acquiring and constructing recreational facilities and $3,000,000 principal amount of unlimited tax refunding bonds for refunding such bonds authorized but unissued. After issuance of the Series 2023A Park Bonds, the District will have no remaining authorized but unissued bond authorization for acquiring and constructing recreational facilities and $3,000,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued for acquiring and constructing recreational facilities. The Bond Resolutions impose no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. Issuance of such future obligations may adversely affect the investment security of the Bonds. The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board of the District and any bonds issued to acquire or construct water, sanitary sewer and drainage facilities and park facilities must be approved by the TCEQ. The issuance of additional bonds is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds.

The District also 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 such bonds, the following actions would be required: (a) approval of a detailed fire plan by the Commission; (b) authorization of the detailed fire plan and bonds for such purpose by the qualified voters in the District; (c) approval of the bonds by the Commission; and (d) approval of bonds by the Attorney General of Texas. The Board has not considered preparing a fire plan or calling an election at this time for such purposes.

Pursuant to Chapter 54 of the Water Code, a municipal utility district may petition the Commission 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 Commission, authorization from the District's voters to issue such bonds, and approval of the bonds by the Attorney General of Texas. The District has not considered filing an application to the Commission for "road powers" nor calling such an election at this time.

Annexation by the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District must conform to a City of Houston consent ordinance. Generally, the District may be annexed by the City of Houston 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.

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

Strategic Partnership Agreement

The District is authorized to enter into a strategic partnership agreement with the City of Houston to provide the terms and conditions under which the services would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District were to be annexed for full or limited purposes by the City. The terms of any such agreement would be determined by the City and the District. Although the City has negotiated and entered into such agreements with other districts in its extraterritorial jurisdiction, none is currently contemplated with respect to the District, although no representation can be made regarding the future likelihood of an agreement or the terms thereof.

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.

No Arbitrage

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

Remedies in Event of Default

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolutions, or defaults in the observance or performance of any other covenants, conditions, or obligations set forth in the Bond Resolutions, 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 Resolutions. Except for mandamus, the Bond Resolutions do 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. In the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolutions 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."

Defeasance

The Bond Resolutions provide 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) for obligations of the District payable from revenues or from ad valorem taxes or both, or a commercial bank or trust company designated in the proceedings authorizing such discharge, 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, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book entry form, and shall 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. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Resolutions.

Upon such deposit as described above, such Bonds shall no longer be regarded to be 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 a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Resolutions do not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law.

BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Direct Participants is on file with DTC.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds 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, each in the aggregate principal amount of such maturity, and will be deposited with DTC. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 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 from S&P Global Ratings of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, 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 effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but neither the District nor the Initial Purchaser take any responsibility for the accuracy thereof.

THE DISTRICT

General

Fort Bend County Municipal Utility District No. 123 (the "District") is a municipal utility district created by order of the Texas Natural Resources Conservation Commission (now known as the Texas Commission on Environmental Quality (the "Commission" or "TCEQ"), dated November 21, 2000, and operates under the provisions of Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes applicable to municipal utility districts. The District is located wholly within the extraterritorial jurisdiction of the City of Houston, Texas ("Houston" or the "City").

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 empowered to establish parks and recreational facilities for the residents of the District, to contract for or employ its own peace officers and, after approval by the Commission and the voters of the District, to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts. Additionally, the District may, subject to the granting of road powers by the Commission and certain limitations, develop and finance roads.

The Commission exercises continuing supervisory jurisdiction over the District. The District is required to observe certain requirements of the City of Houston which, along with Texas law, limit the purposes for which the District may sell bonds to the acquisition, construction, and improvement of waterworks, wastewater, drainage, recreational, road, and fire-fighting facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of Houston of District construction plans for certain of such facilities; require the District to follow certain requirements regarding wastewater treatment plant facilities; and permit connections only to platted lots and reserves which have been approved by the Planning Commission of the City of Houston. See "THE SYSTEM."

Status of Development

The District contains approximately 491 acres of land and is located approximately 25 miles southwest of downtown Houston and approximately 10 miles southeast of the City of Katy. The northeastern portion of the District is bordered on the north by FM 1093 and on the south by Bellaire Boulevard. The southwestern portion of the District is bordered on the north by Bellaire Boulevard and on the south by Beechnut Boulevard. Access to the District is provided by FM 1093, a four lane road with a four lane toll road (Westpark Toll Road) constructed between the free access lanes.

The District has been developed primarily for single family residential purposes. Construction of water, sanitary sewer and drainage facilities and street paving to serve Lakemont Terrace, Sections 1 through 3; Lakemont Meadows, Sections 1 through 3; Lakemont Court, Section 1; Lakemont Grove, Section 1; Lakemont Manor, Sections 1 through 3; Lakemont Ridge, Sections 1 and 2, Lakemont Shores, Sections 1, through 3, Lakemont Lake Bend, Sections 1 and 2, and Lakemont West Ridge, Section 1 and 2 (cumulatively approximately 417 acres of land developed into 1,384 single-family residential lots, of which 2 residential single-family lots are used as parks) has been completed. For tax year 2022, the average home value within the District was approximately $281,000.

As of January 19, 2023, the District contained 1,382 single-family homes completed as shown below:

Status of home construction as of January 19, 2023:

Single-family residential – completed and occupied	1,378
Single-family residential – completed and unoccupied	4
Total	1,382

In addition to the development described above, the District contains approximately 5 acres of commercial reserves served with utilities. A day care center has been built on a portion of the commercial reserves. A 12 acre site served with trunk facilities was acquired by the District to be used for recreational facilities. See "USE AND DISTRIBUTION OF BOND PROCEEDS." Approximately 47 acres of land are contained in drainage easements, rights-of-way and District plant/drill sites and 10 acres are included in permanent flood plain area which represents the remaining acreage for Long Point Slough, a drainage channel located within the District. Several drill sites are located in or near the District, including producing gas wells located within the boundaries of the District.

Community Facilities

Community facilities are located in the general vicinity of the District. Neighborhood shopping facilities, including supermarkets, pharmacies, cleaners, restaurants, banking facilities and other retail and service establishments are located approximately six miles east of the District near the intersection of FM 1093 and State Highway 6 or four miles northwest of the District and adjacent to SH 99. Fire protection for the District is provided by Community Volunteer Fire Department. The nearest medical care facility for District residents is available from the Memorial Hermann Katy Hospital in the City of Katy, approximately eleven miles west of the District. Numerous other medical facilities are located in the Houston Metropolitan area. The land within the District is located within the boundaries of Lamar Consolidated Independent School District, and children within the District attend elementary, junior high and high schools of Lamar Consolidated Independent School District located within two miles of the development in the District.

MANAGEMENT

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 staggered terms and elections are held in May in even numbered years. Four of the five Directors listed below reside within the District, and the other Director owns a small parcel of land in the District subject to a Note and Deed of Trust in favor of the original developer of land in the District. The Directors and Officers of the District are listed below:

Name	Title	Term Expires
Larry Perkins	President	May 2026
Joseph Caballero	Vice President	May 2024
Jeffrey Joseph	Secretary	May 2026
Dustin Nelson	Asst. Vice President	May 2024
Mirna Bonilla-Odums	Asst. 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.

Attorney: The District engages Allen Boone Humphries Robinson LLP as general counsel and as Bond Counsel in connection with the issuance of the Bonds. The legal fees to be paid 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 on the sale and delivery of the Bonds.

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.

Disclosure Counsel: The District has engaged McCall, Parkhurst & Horton L.L.P, as disclosure counsel. The fees paid to disclosure counsel are contingent upon the sale and delivery of the Bonds.

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

Tax Assessor/Collector: The District has appointed an independent tax assessor/collector to perform the tax collection function. Tax Tech, Inc. (the "Tax Assessor/Collector") has been engaged by the District to serve in this capacity.

Engineer: The District's consulting engineer is LJA Engineering, Inc. (the "Engineer").

Bookkeeper: The District has contracted with Myrtle Cruz, Inc. (the "Bookkeeper") for bookkeeping services.

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

System Operator: The operator of the District's water system and plants is Municipal District Services LLC (the "Operator").

THE SYSTEM

Regulation

According to the Engineer, the District's water supply and distribution, wastewater collection, and storm drainage facilities (collectively, the "System") have been designed in accordance with accepted engineering practices and the then current requirements of various entities having regulatory or supervisory jurisdiction over the construction and operation of such facilities. The construction of the System is required to be accomplished in accordance with the standards and specifications of such entities and is subject to inspection by each such entity. Operation of the System must be accomplished in accordance with the standards and requirements of such entities. The Commission exercises continuing supervisory authority over the District. Discharge of treated sewage is subject to the regulatory authority of the Commission and the U.S. Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of the City of Houston, Fort Bend County and, in some instances, the Commission. Fort Bend County and the City of Houston also exercise regulatory jurisdiction over the System. The regulations and requirements of entities exercising regulatory jurisdiction over the System are subject to further development and revision which, in turn, could require additional expenditures by the District in order to achieve compliance. In particular, additional or revised requirements in connection with any permit for the wastewater treatment plant utilized by the District beyond the criteria existing at the time of construction of the plant could result in the need to construct additional facilities in the future. The following descriptions are based upon information supplied by the District's Engineer.

Water, Sanitary Sewer and Drainage Facilities

Source of Water Supply: Water supply for the District and Fort Bend County Municipal Utility District No. 122 ("MUD 122") is provided by MUD 122's water plant. The plant presently includes an 1,830 gallon per minute ("gpm") well, 50,000 gallons of hydropneumatic tank capacity, a 700 kilowatt generator, 800,000 gallons of ground storage tank capacity, and 6,200 gpm of booster pump capacity. According to the Engineer, the plant is presently capable of providing service to approximately 2,860 equivalent single-family connections. MUD 122's water plant is located within the North Fort Bend Water Authority (the "Authority") and the Authority has constructed a surface water supply line and provides treated surface water to the water plant. The District and MUD 122 use their ground water supply facilities to supplement the surface water produced by the Authority. MUD 122's engineer has recently submitted an updated elevated storage tank variance to the TCEQ. See "*Subsidence and Conversion to Surface Water Supply*" below.

Pursuant to a capacity and cost sharing agreement between MUD 122 and the District (the "Cost Sharing Agreement"), the capacity of the plant is allocated 48% to MUD 122 and 52% to the District. See "Joint Facilities/Cost Sharing Agreement" below. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

MUD 122, for the benefit of itself and the District, has interconnect agreements with the adjacent Grand Mission Municipal Utility District No. 1 and Fort Bend County Municipal Utility District No. 50, which agreements allow water supply service between the parties on an emergency basis.

Subsidence and Conversion to Surface Water Supply: The District and MUD 122 are within the boundaries of the Fort Bend Subsidence District (the "Subsidence District"), which regulates groundwater withdrawal. MUD 122'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 and MUD 122. In 2005, the Texas legislature created 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 District and MUD 122) 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 District is included within the Authority's GRP.

The Authority, among other powers, has the power to: (i) issue debt supported by the revenues pledged for the payment of its obligations; (ii) establish fees (including fees imposed on MUD 122 and the District for groundwater pumped by MUD 122 and the District water well), 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 MUD 122 a fee per 1,000 gallons based on the amount of groundwater pumped by MUD 122, and a rate per 1,000 gallons based on the amount of surface water received from the Authority. Pursuant to the Cost Sharing Agreement, the District is responsible for making payments to MUD 122 for the District's pro rata share of such Authority fees. The Authority has issued revenue bonds to fund, among other things, Authority surface water project costs. It is expected that the Authority will continue to issue a substantial amount of bonds by the year 2025 to finance the Authority's project costs, and it is expected that the fees charged by the Authority will increase substantially over such period.

Under the Subsidence District regulations and the GRP, the Authority is required to: (i) limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the Authority's GRP, beginning in the year 2014; and (ii) limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the Authority's GRP, beginning in the year 2025. If the Authority fails to comply with the above Subsidence District regulations, the Authority is subject to a disincentive fee penalty ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of 40% of the total annual water demand in the Authority's GRP. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the District and/or MUD 122. 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 and/or MUD 122.

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

Source of Wastewater Treatment: Wastewater treatment facilities to serve the District and MUD 122 include a 900,000 gallon per day ("gpd") wastewater treatment plant which has been constructed in phases. Pursuant to the Cost Sharing Agreement, the wastewater treatment plant serves both MUD 122 and the District, and the capacity in the plant is allocated 48% to MUD 122 and 52% to the District. MUD 122, on behalf of itself and the District, owns treatment capacity in the plant totaling 900,000 gpd. See "*Joint Facilities/Cost Sharing Agreement*" below.

The current 900,000 gpd wastewater treatment plant is designed to provide service to approximately 3,000 equivalent single-family connections based upon design criteria of 300 gpd per equivalent single-family connections. However, according to the December operations report, the plant is currently operating at approximately 40.5% of capacity based upon average daily flow. According to the District Engineer, based on current sewage flow (an actual average daily flow of 261 gpd per equivalent single-family connection), the plant is capable of serving 3,448 equivalent single-family connections. The District and MUD 122 have jointly funded the expansion of the existing wastewater treatment plant with prior bond proceeds. The expansion project is currently under construction and is expected to be completed by the end of 2023. When complete, the total capacity of the shared wastewater treatment plant will be 992,000 gpd and will have a design capacity to serve 3,307 ESFCs.

Joint Facilities/Cost Sharing Agreement: The District and MUD 122 have entered into a Second Amended Joint Facilities/Cost Sharing Agreement, as amended, (the "Cost Sharing Agreement") regarding joint use and cost-sharing of the water plant facilities and wastewater treatment plant facilities that are owned by MUD 122 (collectively, the "Plants"), and certain drainage, detention, water distribution, irrigation, pumping and sanitary sewer collection facilities. Future expansions and improvements to the Plants will be necessary to serve both districts. The capacity and costs of the Plants and the other facilities addressed in the Agreement are to be shared by both districts on a pro-rata basis, as more fully set forth in the Agreement. Under the Cost Sharing Agreement, if a district is not using all of its capacity, then the other district can utilize the unused capacity until such time as the district needs the capacity.

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 10 acres of undevelopable land are within the 100-year floodplain. All of the land in the District which has been developed is outside the 100-year flood plain. See "INVESTMENT CONSIDERATIONS—Extreme Weather Events."

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

THE PARK SYSTEM

Series 2023A Park Bond proceeds will be used to finance design, construction and improvements related to parking lot, recreational center, playground, splashpad, landscaping and sidewalks surrounding Lakemont Park, which encompasses an approximately 12 acre tract within the District. Construction is scheduled to begin by second quarter of 2023 with an expected completion date of June 2023. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

USE AND DISTRIBUTION OF BOND PROCEEDS

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

SERIES 2023 BONDS

CONSTRUCTION COSTS		
Water, Sanitary, Detention and Drainage to Serve Lakemont Park…..	$	676,440
Lakemont Stormwater Reuse Pump Station……………………………		90,650
Water Plant Improvements………………………………………………		244,400
Water Meter Replacement………………………………………………		798,340
Engineering, Geotechnical and Testing…………………………………		218,884
Contingencies……………………………………………………………		271,475
Total Construction Costs	**$**	**2,300,189**
NON-CONSTRUCTION COSTS		
Legal Fees…………………………………………………………………	$	64,000
Financial Advisory Fees…………………………………………………		44,800
Bond Discount (a)………………………………………………………		9,886
Bond Issuance Expenses…………………………………………………		35,251
Bond Application Report…………………………………………………		30,000
TCEQ Fee (0.25%)…………………………………………………………		6,400
Attorney General Fee……………………………………………………		2,560
Contingency (a)……………………………………………………………		66,914
Total Non-Construction Costs	**$**	**259,811**
TOTAL BOND ISSUE	**$**	**2,560,000**

(a) In its order authorizing the issuance of the Bonds, the TCEQ approved a maximum Bond discount of 3.0%. Contingency represents the difference in the estimated and actual amounts of Bond Discount.

SERIES 2023A PARK BONDS

CONSTRUCTION COSTS		
Lakemont Park Recreational Items……………………	$	3,624,645
Engineering, Geotechnical and Testing………………		577,500
Contingencies………………………………………		543,697
Less: Surplus Operating Funds………………………		(2,022,000)
Total Construction Costs	**$**	**2,723,842**
NON-CONSTRUCTION COSTS		
Legal Fees………………………………………………	$	75,000
Financial Advistory Fees……………………………...		52,500
Bond Discount (a)…………………………………….		24,140
Bond Issuance Expenses…………………………….		28,158
Bond Application Report…………………………….		20,000
TCEQ Fee (0.25%)…………………………………….		7,500
Attorney General Fee…………………………………		3,000
Contingency (a)……………………………………….		65,861
Total Non-Construction Costs	**$**	**276,158**
TOTAL BOND ISSUE	**$**	**3,000,000**

(a) In its order authorizing the issuance of the Bonds, the TCEQ approved a maximum Bond discount of 3.0%. Contingency represents the difference in the estimated and actual amounts of Bond Discount.

In the event approved estimated amounts exceed actual costs, the difference comprises the contingency line item which may be expended for uses in accordance with the rules of the TCEQ.

UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED

Date of Authorization	Purpose	Amount Authorized	Issued to Date	Amount Unissued
05/04/02	Water, Sanitary Sewer and Drainage	$55,000,000	$43,845,000*	$11,155,000
05/04/02	Refunding Bonds	$35,000,000	$938,397	$34,061,603
11/02/21	Park and Recreational	$3,000,000	$3,000,000*	$0
11/02/21	Park and Recreational Refunding	$3,000,000	$0	$3,000,000

* Includes the Bonds.

FINANCIAL STATEMENT

2022 Certified Taxable Assessed Valuation	$414,550,374 (a)
Gross Direct Debt Outstanding (the Bonds and the Outstanding Bonds)	$36,895,000
Ratio of Gross Direct Debt to: 2022 Certified Taxable Assessed Valuation	8.90%

Area of District — 491 acres
Estimated 2023 Population — 4,823 (b)

(a) As certified by the Fort Bend Central Appraisal District (the "Appraisal District"). See "TAX PROCEDURES."
(b) Estimate based on 3.5 persons per occupied single-family connection.

Cash and Investment Balances (unaudited as of February 15, 2023)

General Fund	Cash and Temporary Investments	$7,900,468	(a)
Capital Projects Fund	Cash and Temporary Investments	$3,406,804	
Park Capital Projects Fund	Cash and Temporary Investments	$0	(b)
Debt Service Fund	Cash and Temporary Investments	$1,971,142	(c)

(a) Includes $2,022,000 of surplus funds intended to be applied to the issuance of the Series 2023A Park Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
(b) To be created upon closing of the Series 2023A Park Bonds.
(c) Neither Texas law nor the Bond Resolutions require the District to maintain any minimum balance in the Debt Service Fund.

Outstanding Bonds (as of February 1, 2023)

Series	Original Principal Amount	Currently Outstanding Bonds (2/1/2023)
2014	$ 5,000,000	$ 4,150,000
2015	1,880,000	1,375,000
2016 (a)	9,255,000	8,220,000
2017 (a)	4,600,000	3,420,000
2019	2,410,000	2,260,000
2019A (a)	2,425,000	1,800,000
2020 (a)	2,755,000	2,620,000
2021 (a)	3,720,000	3,645,000
2021A	3,890,000	3,845,000
Total		$ 31,335,000

(a) Unlimited tax refunding bonds.

ESTIMATED OVERLAPPING DEBT STATEMENT

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.

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping Percent	Overlapping Amount
Fort Bend County…………………………………………	$ 868,746,542	1/31/2023	0.43%	$ 3,735,610
Fort Bend County Drainage District………………………	24,530,000	1/31/2023	0.43%	105,479
Lamar Consolidated ISD…………………………………	1,705,940,000	1/31/2023	1.72%	29,342,168
Fort Bend County LID No. 12………………...…………	9,455,000	1/31/2023	13.40%	1,266,970
Total Estimated Overlapping Debt……………………...				$ 34,450,227
The District……………………………………………..…	36,895,000 (a)	Current	100.00%	36,895,000
Total Direct and Estimated Overlapping Debt………...				$ 71,345,227

Ratio of Estimated Direct and Overlapping Debt to 2022 Certified Taxable Assessed Valuation……………………… 17.21%

(a) Includes the Bonds and the Outstanding Bonds.

Overlapping Tax Rates for 2022

	2022 Tax Rate per $100 of Taxable Assessed Valuation
Fort Bend County (including Drainage District)……………	$ 0.451200
Harris-Fort Bend ESD No. 100………………………………	0.081082
Fort Bend County LID No. 12………………………………	0.065000
Lamar Consolidated ISD……………………………………	1.242000
Total Overlapping Tax Rate…………………………………	$ 1.839282
The District (a)………………………………………………	1.025000
Total Tax Rate………………………………………………	$ 2.864282

(a) See “TAX DATA—Tax Rate Distribution.”

TAX DATA

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. Values shown in table below may differ throughout due to timing of reports. See "Tax Roll Information" herein.

Tax Year	Certified Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of February 15, 2023 (a) Amount	Percent
2018	$ 336,548,899	$ 1.080	$ 3,634,728	$ 3,634,455	99.99%
2019	339,985,948	1.080	3,671,848	3,671,655	99.99%
2020	346,825,657	1.080	3,745,717	3,743,712	99.95%
2021	358,612,826	1.075	3,855,088	3,847,657	99.81%
2022	414,550,374	1.025	4,249,141	4,074,424	95.89%

(a) Reflects unaudited collections.

Tax Rate Distribution

	2022	2021	2020	2019	2018
Debt Service	$ 0.665	$ 0.665	$ 0.665	$ 0.665	$ 0.680
Maintenance and Operations	0.360	0.410	0.415	0.415	0.400
Total	$ 1.025	$ 1.075	$ 1.080	$ 1.080	$ 1.080

Tax Rate Limitations

Debt Service: Unlimited (no legal limit as to rate or amount).
Maintenance and Operations: $1.50 per $100 of taxable assessed valuation.

Debt Service Tax

The Board covenants in the Bond Resolutions to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. The District levied a debt service tax for 2022 in the amount of $0.665 per $100 of taxable assessed valuation.

Maintenance and Operations Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by vote of the District's electors. On January 20, 2001, the Board was authorized to levy such a maintenance tax in an amount not to exceed $1.50 per $100 of taxable assessed valuation. Such maintenance taxes are in addition to taxes which the District is authorized to levy for paying principal of and interest on the District's bonds. For the 2022 tax year, the District levied a tax for maintenance and operations in the amount of $0.36 per $100 assessed valuation.

Tax Exemptions

As discussed in the section titled "TAX PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. For 2022, the District adopted an exemption of $10,000 of the appraised value of a residential homestead of persons who are disabled or 65 years of age or older. The District does not grant a general homestead exemption.

Additional Penalties

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

Summary of Assessed Valuation

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate (see "TAX PROCEDURES—Valuation of Property for Taxation"). The following represents the composition of property comprising the 2020 through 2022 Certified Taxable Assessed Valuations.

	2022 Certified Taxable Valuation	2021 Certified Taxable Valuation	2020 Certified Taxable Valuation
Land	$ 62,219,650	$ 61,863,040	$ 61,863,040
Improvements	356,076,250	302,537,140	290,663,880
Personal Property	1,986,675	2,122,770	1,769,180
Exemptions	(5,732,201)	(7,910,124)	(7,470,443)
Total	$ 414,550,374	$ 358,612,826	$ 346,825,657

Principal Taxpayers

The following table represents the principal taxpayers, the taxable assessed value of such property and such property's assessed value as a percentage of the 2022 Certified Taxable Assessed Valuation, which represents certified ownership as of January 1, 2022.

Taxpayer	Type of Property	2022 Certified Taxable Assessed Valuation	% of 2022 Certified Taxable Assessed Valuation
Katy Ivy Kids Inc.	Land, Improvements & Personal Property	$ 2,869,120	0.69%
Centerpoint Energy Electric	Personal Property	1,210,350	0.29%
Individual	Land & Improvements	846,490	0.20%
Individual	Land & Improvements	630,660	0.15%
Individual	Land & Improvements	581,500	0.14%
Kingfish LLC	Land & Improvements	580,580	0.14%
Ann Arundel Farms Ltd.	Land	553,110	0.13%
Individual	Land & Improvements	545,330	0.13%
Individual	Land & Improvements	538,800	0.13%
Individual	Land & Improvements	527,810	0.13%
Total		$ 8,883,750	2.14%

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per $100 appraised valuation which would be required to meet average annual and maximum debt service requirements if no growth in the District's tax base occurred beyond the 2022 Certified Taxable Assessed Valuation of $414,550,374. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."

Average Annual Debt Service Requirement (2023-2046)	$2,045,308
$0.52 Tax Rate on 2022 Certified Taxable Assessed Valuation	$2,047,879
Maximum Annual Debt Service Requirement (2024)	$2,736,504
$0.70 Tax Rate on 2022 Certified Taxable Assessed Valuation	$2,756,760

TAX 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 Outstanding Bonds, the Bonds and any additional bonds payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS—Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolutions to levy such a tax from year to year as described more fully herein under "THE BONDS—Source of and Security for Payment." Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and for the payment of certain contractual obligations. See "TAX DATA—Debt Service Tax" and "—Maintenance and Operations Tax."

Property Tax Code and County-Wide Appraisal District

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

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Fort Bend Central Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units within Fort Bend County, including the District. Such appraisal values are subject to review and change by the Fort Bend County 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 and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately-owned utilities. Principal categories of exempt property include: 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; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2022 tax year, the District has granted an exemption of $10,000 of assessed valuation for persons 65 years of age and older and to individuals who are under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence 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 (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of a member of the armed forces or a first responder (as defined under Texas law), who was (i) killed in action, or (ii) fatally injured in the line of duty, is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

A "Freeport Exemption" applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining oil 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 certain tangible personal property, as defined by the Property Tax Code, acquired in or imported into Texas for storage purposes and which 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. The exemption excludes oil, natural gas, petroleum products, aircraft and certain special inventory including dealer's motor vehicles, dealer's vessel and outboard motor vehicle, dealer's heavy equipment and retail manufactured housing inventory. The exemption applies to covered property if it 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. 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. However, taxing units who took official action as allowed by prior law before October 1, 2011, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. The District has taken official action to allow taxation of all such goods-in-transit personal property but may choose to exempt same in the future by further official action.

General Residential Homestead Exemption

Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than $5,000 if any exemption is granted, from ad valorem taxation. The law provides, however, that 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. For the 2022 tax year, the District has not granted a general residential homestead exemption.

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. Generally, 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. In determining market value, either the replacement cost or the income or the market data method of valuation may be used, whichever is appropriate. 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 10 percent 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 market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space, or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use, open space land, and timberland.

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

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

District and Taxpayer Remedies

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

Tax Abatement

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

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, may be rejected. 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.

Tax Payment Installments After Disaster

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

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

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code, as amended, classifies municipal utility districts differently based on their current operation and maintenance tax rate or on the percentage of projected build-out that a 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 herein as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all land, 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 an election held within any of the districts described below.

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

Developed Districts: Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold a rollback election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a 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 are classified as Developing Districts. The qualified voters of these districts, upon the Developing District's adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax rate imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are authorized to petition for an election to reduce the operation and maintenance tax rate. If a rollback election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

The District: A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made on an annual basis, at the time a district sets its tax rate. For 2022, the District was designated as a Developing District. 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 rollback election calculation.

<u>District's Rights in the Event of Tax Delinquencies</u>

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 "ESTIMATED OVERLAPPING DEBT STATEMENT—Overlapping Tax Rates for 2022." 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 above 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 cost of suit and sale, by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six (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) or by bankruptcy proceedings which restrict the collection of taxpayer debts. 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—Tax Collection Limitations."

WATER AND SEWER OPERATIONS

General

The Bonds and the Outstanding Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Net revenues, if any, derived from the operation of the District's water and sewer operations are not pledged to the payment of the Bonds but are available for any lawful purpose including payment of debt service on the Bonds and the Outstanding Bonds, at the discretion and upon action of the Board. It is not anticipated that any significant revenues will be available for the payment of debt service on the Bonds or the Outstanding Bonds.

Waterworks and Sewer System Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such summary is based upon information obtained from the District's audited financial statements for fiscal years ended September 30, 2018 through 2022. Reference is made to such statements and records for further and more complete information.

	Fiscal Year Ended September 30				
	2022	2021	2020	2019	2018
Revenues					
Property Taxes	$ 1,468,829	$ 1,438,570	$ 1,410,159	$ 1,349,529	$ 1,369,804
Water Service	481,999	456,913	470,146	458,124	472,878
Sewer Service	632,069	649,159	632,732	604,473	620,687
Regional Water Fee	655,606	540,921	554,332	476,746	470,344
Penalty and Interest	61,870	17,508	20,440	27,493	28,925
Tap Connection and Inspection Fees	1,100	1,150	940	720	685
Investment Revenues	52,014	4,127	56,628	133,236	73,586
Other Income	34,342	19,897	5,657	849	911
Total Revenues	$ 3,387,829	$ 3,128,245	$ 3,151,034	$ 3,051,170	$ 3,037,820
Expenditures					
Purchased Services	$ 1,068,963	$ 1,021,499	$ 990,564	$ 907,729	$ 937,499
Professional Fees	166,581	148,488	134,191	145,785	119,987
Contracted Services	495,346	475,728	446,030	423,298	399,127
Utilities	11,359	9,029	12,771	10,617	12,570
Repairs and Maintenance	295,048	318,033	201,518	238,894	237,750
Other	71,054	89,100	63,544	54,099	56,308
Tap Connections	-	-	-	-	17,742
Capital Outlay	181,924	253,893	1,358,194 (a)	1,853,465 (b)	267,804
Debt Issuance Cost	24,631	38,385	-	15,667	15,793
Total Expenditures	$ 2,314,906	$ 2,354,155	$ 3,206,812	$ 3,649,554	$ 2,064,580
Revenues Over (Under) Expenditures	$ 1,072,923	$ 774,090	$ (55,778)	$ (598,384)	$ 973,240
Other Sources					
Transfers In (Out)	$ 191,443	$ -	$ (7,800)	$ 709,251	$ -
Fund Balance (Beginning of Year)	$ 6,904,796	$ 6,130,706	$ 6,194,284	$ 6,083,417	$ 5,110,177
Fund Balance (End of Year)	$ 8,169,162	$ 6,904,796	$ 6,130,706	$ 6,194,284	$ 6,083,417

(a) Includes expenditures for waterline rehabilitation, lake slope rehabilitation and land acquisition costs.
(b) Includes expenditures for wastewater treatment plant expansion, rehabilitation of lake and rehabilitation and relocation of irrigation line.

DEBT SERVICE REQUIREMENTS

The following sets forth the actual debt service on the Outstanding Bonds plus the Bonds.

Year	Outstanding Bonds Debt Service Requirements	Plus: The Series 2023 Bonds		Plus: The Series 2023A Park Bonds		Total Debt Service Requirements
		Principal	Interest	Principal	Interest	
2023	$ 2,306,229		$ 39,446		$ 45,850	$ 2,391,524
2024	2,302,104	$ 100,000	108,400	$ 100,000	126,000	2,736,504
2025	2,296,004	100,000	103,400	100,000	121,000	2,720,404
2026	2,293,966	100,000	98,400	100,000	116,000	2,708,366
2027	2,289,504	100,000	93,400	100,000	111,000	2,693,904
2028	2,288,666	100,000	88,400	100,000	106,000	2,683,066
2029	2,277,629	100,000	83,400	100,000	101,000	2,662,029
2030	2,273,616	100,000	78,400	100,000	96,000	2,648,016
2031	2,263,004	100,000	74,400	100,000	92,000	2,629,404
2032	2,259,329	100,000	70,400	100,000	88,000	2,617,729
2033	2,257,296	100,000	66,400	100,000	84,000	2,607,696
2034	2,258,601	100,000	62,400	100,000	80,000	2,601,001
2035	2,241,081	100,000	58,400	100,000	76,000	2,575,481
2036	2,210,786	100,000	54,400	100,000	72,000	2,537,186
2037	2,162,036	100,000	50,400	125,000	68,000	2,505,436
2038	2,041,575	100,000	46,400	175,000	63,000	2,425,975
2039	1,975,735	100,000	42,400	175,000	56,000	2,349,135
2040	1,429,385	100,000	38,400	175,000	49,000	1,791,785
2041	1,023,750	140,000	34,400	175,000	42,000	1,415,150
2042	-	140,000	28,800	175,000	35,000	378,800
2043	-	140,000	23,200	175,000	28,000	366,200
2044	-	140,000	17,600	175,000	21,000	353,600
2045	-	150,000	12,000	175,000	14,000	351,000
2046	-	150,000	6,000	175,000	7,000	338,000
Total	$ 40,450,296	$ 2,560,000	$ 1,379,246	$ 3,000,000	$ 1,697,850	$ 49,087,392

Average Annual Debt Service Requirements (2023-2046) $2,045,308
Maximum Annual Debt Service Requirement (2024)...$2,736,504

INVESTMENT CONSIDERATIONS

General

The Bonds are obligations solely of the District and are not obligations of the State of Texas, Fort Bend County, the City of Houston, 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 and Security 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" herein.

Infectious Disease Outlook (COVID-19)

In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus ("COVID-19") to be a public health emergency. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State of Texas (the "State") because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings and other activities.

There are currently no COVID-19 related operating limits imposed by executive order of the Governor for any business or other establishment in the State. The Governor retains the right to impose additional restrictions on activities if needed in order to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this Official Statement.

The District has not experienced any decrease in property values, unusual tax delinquencies or interruptions to any service as a result of COVID 19; however, the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and reinstitution of restrictions.

Potential Effects of Oil Price Volatility on the Houston Area

The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values or homebuilding activity within the District. The District cannot predict the impact that negative conditions in the oil and gas industry could have on property values in the District.

Extreme Weather Events

The Houston area, including the District, is subject to occasional severe weather events, including tornadoes, flooding, tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected.

The greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015, including Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. To the best of the District's knowledge, the District's System did not sustain any material damage, there was no interruption of water and sewer service, and no homes or other improvements within the District experienced structural flooding or other material damage as a result of Hurricane Harvey.

The District cannot predict the effect that additional extreme weather events may have upon the District and the Houston area. Additional extreme weather events have the potential to cause damage within the District and across the Houston area generally that could have a negative effect on taxable assessed valuations in the District and the economy of the District and the region. 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.

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.

Impact on District Tax Rate

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2022 Certified Taxable Assessed Valuation of the District (see "FINANCIAL STATEMENT") is $414,550,374. After issuance of the Bonds, the maximum annual debt service requirement will be $2,736,504 (2024) and the average annual debt service requirement will be $2,045,308 (2023-2046). Assuming no increase or decrease from the 2022 Certified Taxable Assessed Valuation and no use of funds other than tax collections, a tax rate of $0.70 per $100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of $2,736,504 and a tax rate of $0.52 per $100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of $2,045,308 (see "TAX DATA—Tax Adequacy for Debt Service"). Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds based upon the 2022 Certified Taxable Assessed Valuation, the District can make no representations regarding the future level of assessed valuation within the District. Increases in the tax rate may be required in the event the District's assessed valuation does not continue to increase or in the event major taxpayers do not pay their District taxes timely. Increases in taxable values depend primarily on the continuing construction and sale of homes and other taxable improvements within the District. See "TAX PROCEDURES" and "TAX DATA—Tax Adequacy for Debt Service."

Overlapping Debt Obligations

Property within the District is subject to taxation by several governmental units. In particular, all of the land within the District is subject to taxation by Fort Bend County Levee Improvement District No. 12 ("LID 12"), which provides certain flood control and drainage facilities to serve land within its boundaries, and the property in the District currently constitutes 14.97% of the tax base of LID 12. LID 12 had previously filed a voluntary bankruptcy petition and had a Plan of Adjustment confirmed by the bankruptcy court. However, in September 2005, LID 12 issued refunding bonds which removed it from restrictions contained in the Plan of Adjustment. LID 12 presently has outstanding $9,455,000 principal amount of unlimited tax refunding bonds, and LID 12 levied a 2022 tax at the rate of $0.065 per $100 assessed valuation.

Future bonds issued by LID 12 could further increase the tax burden on property within the District, thereby affecting the security for, and the investment quality and value of the Bonds. The District has no control over the issuance of bonds by LID 12; however, any such bonds must be approved by the Commission under guidelines of feasibility established by the Commission. See "ESTIMATED OVERLAPPING DEBT STATEMENT."

Future Debt

After issuance of the Series 2023 Bonds, the District reserves in the Bond Resolutions the right to issue the remaining $11,155,000 principal amount of unlimited tax bonds for water, sanitary sewer and drainage facilities, and $34,061,603 principal amount of unlimited tax refunding bonds which have been authorized at elections held within the District, and such additional unlimited tax bonds as may be voted hereafter. In addition, the District has $3,000,000 principal amount of unlimited tax bonds for the purpose of acquiring and constructing recreational facilities and $3,000,000 principal amount of unlimited tax refunding bonds for refunding such bonds authorized but unissued. After issuance of the Series 2023A Park Bonds, the District will have no remaining authorized but unissued bond authorization for acquiring and constructing recreational facilities and $3,000,000 of unlimited tax bonds for refunding bonds issued for the purpose of acquiring and constructing recreational facilities. See "THE BONDS—Issuance of Additional Debt" and "THE SYSTEM." The issuance of such future obligations may adversely affect the investment security of the Bonds. The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board of the District and any bonds issued to acquire or construct water, sanitary sewer and drainage facilities and park facilities must be approved by the Commission. Further, the principal amount of bonds issued to finance recreational facilities may not exceed 1%, or in the event the District meets certain conditions, 3%, of either the District's certified value or an estimate of value as provided by a certificate of the Appraisal District.

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by market conditions limiting the proceeds from a foreclosure sale of taxable property and collection procedures. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. The costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. See "TAX PROCEDURES—District's Rights in the Event of Tax Delinquencies."

Registered Owners' Remedies and Bankruptcy Limitations

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, if it fails to make payments into any fund or funds created in the Bond Resolutions, or if it defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolutions, the Registered Owners (defined herein) 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 Resolutions. Except for mandamus, the Bond Resolutions do 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 Resolutions 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 is (1) 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.

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.

Environmental Regulations

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

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

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

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the 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 non-stormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district's ability to obtain and maintain compliance with TPDES permits.

The District is subject to the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which was issued by the TCEQ on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The District has applied for coverage under the MS4 Permit and received coverage under the MS4 Permit 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. 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 itself became the subject of litigation in multiple jurisdictions.

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule ("NWPR"), which contained a new definition of "waters of the United States." The NWPR became effective June 22, 2020, and is the subject of ongoing litigation.

On June 9, 2021, the EPA and USACE announced plans to further revise the definition of "waters of the United States." On August 30, 2021, the United States District Court for the District of Arizona issued an order vacating the NWPR while the EPA and USACE made plans to replace it. On November 18, 2021, the EPA and USACE issued a Notice of Proposed Rulemaking to put back into place the pre-2015 definition of "waters of the United States," and on December 7, 2021, the proposed rule was published in the Federal Register, with the public comment period closing on February 7, 2022. On December 30, 2022, the EPA and USACE finalized the proposed rule, effective as of March 20, 2023, which vacates and remands the NWPR released in 2020 and interprets "waters of the United States" consistent with the pre-2015 regulatory regime. The adoption of the new rule is the subject of litigation, including a suit filed in the United States District Court for the Southern District of Texas. Due to this existing and possible future litigation and regulatory action, there remains uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

Continuing Compliance with Certain Covenants

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

Marketability

The District has no agreement with the Initial Purchaser 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 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 tax purposes. Any proposed legislation, whether or not enacted, may also affect the value and liquidity of the Bonds. Prospective purchasers should consult with their own tax advisors with respect to any proposed, pending or future legislation.

Risk Factors Related to the Purchase of Municipal Bond Insurance

The Initial Purchasers have entered into agreements with Build America Mutual Assurance Company ("BAM" or the "Insurer") for the purchase of separate municipal bond insurance policies (the "Policy"). At the time of entering into the agreements, the Insurer was rated "AA" (stable outlook) by S&P. See "MUNICIPAL BOND INSURANCE."

The long-term ratings on the Bonds are dependent in part on the financial strength of the insurers (the "Insurers") and its claim paying ability. The Insurers' 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 Insurers and of the ratings on the Bonds insured by the Insurers 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 Insurers are contractual obligations and in an event of default by the Insurers, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the District nor the Initial Purchasers have made independent investigation into the claims paying ability of the Insurers and no assurance or representation regarding the financial strength or projected financial strength of the Insurers 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 Insurers, particularly over the life of the investment. See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE" for further information provided by the Insurers and the Policy, which includes further instructions for obtaining current financial information concerning the Insurers.

LEGAL MATTERS

Legal Proceedings

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

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS" and "—Strategic Partnership Agreement," "THE DISTRICT—General," "THE SYSTEM—Joint Facilities/Cost Sharing Agreement," "TAX PROCEDURES," "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine if such information, insofar as it relates to matters of law, is true and correct, and whether such information fairly summarizes 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 Initial Purchasers to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District from that set forth or contemplated in the Official Statement.

No-Litigation Certificate

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

TAX MATTERS

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

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

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Resolutions pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the District, the District's Financial Advisor and the Initial Purchaser with respect to matters solely within the knowledge of the District, the and the Initial Purchaser, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Bond Resolutions or if the foregoing representations 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 IRS. 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 Internal Revenue Service (the "Service"); rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer and the owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit regardless of the ultimate outcome of the audit.

Tax Accounting Treatment of Original Issue Discount Bonds

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

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

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

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

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

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 has designated the Bonds as "qualified tax-exempt obligations" and will represent that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2023 is not expected to exceed $10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than $10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2023.

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Series 2023 Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by Raymond James & Associates, Inc. (the "Series 2023 Bond Initial Purchaser") bearing the interest rates shown on the inside cover hereof, at a price of 99.6138% of the par value thereof which resulted in a net effective interest rate of 4.097546%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended (the IBA method).

After requesting competitive bids for the Series 2023A Park Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by Raymond James & Associates, Inc. (the "Series 20232A Park Bond Initial Purchaser") bearing the interest rates shown on the inside cover hereof, at a price of 99.1954% of the par value thereof which resulted in a net effective interest rate of 4.113032%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended (the IBA method).

The Series 2023 Bond Initial Purchaser and the Series 2023A Park Bond Initial Purchaser shall be referred to herein collectively as the "Initial Purchasers."

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 Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Initial Purchaser 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.

MUNICIPAL BOND RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") has assigned a municipal bond rating of "AA" (stable outlook) with the understanding that, upon delivery of the Bonds, separate municipal bond insurance policies ensuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company ("BAM"). Moody's Investors Service, Inc. ("Moody's") has assigned an underlying rating of "A3" to the Bonds. An explanation of the ratings may be obtained from S&P and Moody's. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance" and "MUNICIPAL BOND INSURANCE."

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue a separate Municipal Bond Insurance Policy (collectively, the "Policy") for each series of the Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX B to this Official Statement.

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

Build America Mutual Assurance Company

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

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

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2022 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $490.7 million, $207.3 million and $283.4 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

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 Engineer, the Tax Assessor/Collector, the Appraisal District and information from certain 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 sources other than the District, and its inclusion herein is not to be construed as a representation on the part of the District except as described below under "Certification of Official Statement." Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions, engineering and other related information set forth in this Official Statement are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

Financial Advisor

Masterson Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement, including the Official Notice of Sale and the Official Bid Form for the sale of the Bonds. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this Official Statement. In addition to compiling and editing, the Financial Advisor has obtained the information set forth herein under the caption indicated from the following sources:

> "THE DISTRICT" –LJA Engineering, Inc. ("Engineer"), and Records of the District ("Records"); "THE SYSTEM" - Engineer; "UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED" - Records; "FINANCIAL STATEMENT" - Fort Bend Central Appraisal District and Tax Tech, Inc., Tax Assessor/Collector; "ESTIMATED OVERLAPPING DEBT STATEMENT" - Municipal Advisory Council of Texas and Financial Advisor; "TAX DATA" – Tax Tech, Inc.; "MANAGEMENT" - District Records; "DEBT SERVICE REQUIREMENTS" - Financial Advisor; "THE BONDS," "TAX PROCEDURES," and "LEGAL MATTERS" - Allen Boone Humphries Robinson LLP.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as 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. Each consultant has agreed to the use of information provided by such firms.

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

Appraisal District: The information contained in this Official Statement relating to the historical certified taxable appraised valuations has been provided by the Fort Bend Central Appraisal District and has been included herein in reliance upon the authority of such entity as experts in assessing the values of property in Fort Bend County, including the District.

Tax Assessor/Collector: The information contained in this Official Statement relating to the historical breakdown of the District's assessed valuations and certain other historical data concerning tax rates and tax collections has been provided by Tax Tech, Inc. and is included herein in reliance upon the authority of such firm as an expert in assessing and collecting taxes.

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

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 Initial Purchasers, of any adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchasers elect to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchasers an appropriate amendment or supplement to the Official Statement satisfactory to the Initial Purchasers; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Initial Purchasers, unless the Initial Purchasers notify 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 of Directors 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 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 official executing this certificate may state that he has relied in part on his examination of records of the District relating to matters within his own area of responsibility, and his 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 Resolutions, 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 certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") System.

Annual Reports

The District will provide certain financial information and operating data annually to the MSRB. The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data of the general type included in this OFFICIAL STATEMENT under the headings “THE SYSTEM,” “FINANCIAL STATEMENT,” “TAX DATA,” “WATER AND SEWER OPERATIONS,” and “DEBT SERVICE REQUIREMENTS” and in APPENDIX A (Independent 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 2023. 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 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 September 30. Accordingly, it must provide updated information by March 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms “obligated person” and “financial obligation” when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the “Rule”). The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operational 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 information only to the MSRB. The MSRB makes the information available to the public without charge through its Electronic Municipal Market Access (“EMMA”) 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 or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although Registered or Beneficial Owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt 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 Registered and Beneficial Owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Initial Purchaser 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 its continuing disclosure agreements made in accordance with SEC Rule 15c2-12.

MISCELLANEOUS

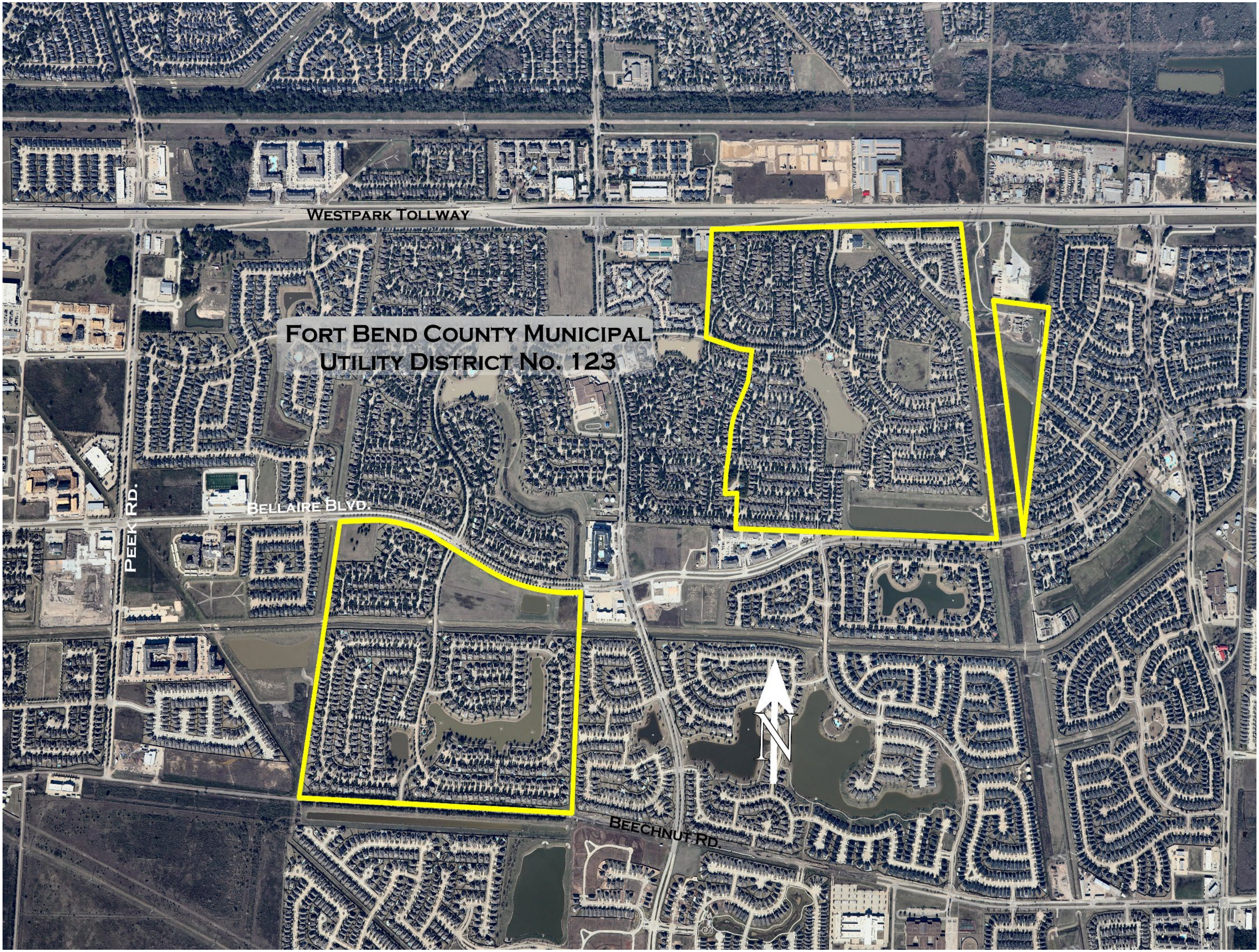
All estimates, statements and assumptions in this Official Statement and the APPENDICES hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this Official Statement involving matters of opinion or estimates, whether or not 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/ Larry Perkins
President, Board of Directors

ATTEST:

/s/ Jeffrey Joseph
Secretary, Board of Directors

AERIAL PHOTOGRAPH
(As of February 2023)


Westpark Tollway
Fort Bend County Municipal
Utility District No. 123
Bellaire Blvd.
Peek Rd.
Beechnut Rd.
N

PHOTOGRAPHS OF THE DISTRICT
(As of February 2023)


19826


21210


ROBOTICS
CAMP
IVY KIDS
EARLY LEARNING CENTER

APPENDIX A

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

Fort Bend County Municipal Utility District No. 123
Fort Bend County, Texas

Independent Auditor's Report and Financial Statements

September 30, 2022

Fort Bend County Municipal Utility District No. 123
September 30, 2022

Contents

FORV/S

2700 Post Oak Boulevard, Suite 1500 / Houston, TX 77056
P 713.499.4600 / **F** 713.499.4699
forvis.com

Independent Auditor's Report

Board of Directors
Fort Bend County Municipal Utility District No. 123
Fort Bend County, Texas

Opinions

We have audited the financial statements of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 123 (the District), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of September 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Information

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

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

FORVIS, LLP

Houston, Texas
February 17, 2023

Fort Bend County Municipal Utility District No. 123

Management's Discussion and Analysis

September 30, 2022

Overview of the Financial Statements

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

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

Notes to Financial Statements

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

Financial Analysis of the District as a Whole

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

Summary of Net Position

	2022	2021
Current and other assets	$ 14,171,476	$ 9,557,949
Capital assets	27,923,052	28,350,393
Total assets	42,094,528	37,908,342
Deferred outflows of resources	1,027,021	1,089,992
Total assets and deferred outflows of resources	$ 43,121,549	$ 38,998,334
Long-term liabilities	$ 31,625,859	$ 29,212,253
Other liabilities	423,528	465,029
Total liabilities	32,049,387	29,677,282
Net position:		
Net investment in capital assets	1,122,715	710,084
Restricted	1,774,835	1,701,957
Unrestricted	8,174,612	6,909,011
Total net position	$ 11,072,162	$ 9,321,052

The total net position of the District increased by $1,751,110 or 19 percent. The majority of the increase in net position is related to tax revenues intended to pay principal on the District's bonded indebtedness, which is shown as long-term liabilities in the government-wide financial statements. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Changes in Net Position

	2022	2021
Revenues:		
Property taxes	$ 3,854,436	$ 3,744,770
Charges for services	1,769,674	1,646,993
Other revenues	203,468	61,494
Total revenues	5,827,578	5,453,257
Expenses:		
Services	2,180,635	2,118,929
Depreciation	655,183	653,111
Debt service	1,240,650	1,197,407
Total expenses	4,076,468	3,969,447
Change in net position	1,751,110	1,483,810
Net position, beginning of year	9,321,052	7,837,242
Net position, end of year	$ 11,072,162	$ 9,321,052

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended September 30, 2022, were $13,811,271, an increase of $4,656,068 from the prior year.

The general fund's fund balance increased by $1,264,366, primarily due to property taxes, service revenues and an interfund transfer from the capital projects fund exceeding service operations and capital outlay expenditures.

The debt service fund's fund balance increased by $50,572, primarily due to property tax revenues being greater than bond principal and interest requirements.

The capital projects fund's fund balance increased by $3,341,130, primarily due to proceeds received from the sale of the Series 2021A bonds exceeding capital outlay expenditures, debt issuance costs and an interfund transfer to the general fund.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to property taxes and regional water fee revenues and investment income being higher than anticipated as well as purchased services, repairs and maintenance and capital outlay expenditures being lower than anticipated. In addition, other income and an interfund transfer received were not included in the current year budget. The fund balance as of September 30, 2022, was expected to be $6,977,028 and the actual end-of-year fund balance was $8,169,162.

Capital Assets and Related Debt

Capital Assets

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

Capital Assets (Net of Accumulated Depreciation)

	2022	2021
Land and improvements	$ 11,500,976	$ 11,500,976
Construction in progress	481,967	285,016
Water facilities	3,390,584	3,554,950
Wastewater facilities	7,169,745	7,447,573
Drainage facilities	5,379,780	5,561,878
Total capital assets	$ 27,923,052	$ 28,350,393

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

Construction in progress related to wastewater treatment plant conversion, Phase 9 and water, sewer and drainage facilities to serve Lakemont Park	$ 196,951
Replacement lift pumps at the lift station	36,510
Total additions to capital assets	$ 233,461

Debt

The changes in the debt position of the District during the fiscal year ended September 30, 2022, are summarized as follows.

Long-term debt payable, beginning of year	$ 29,212,253
Increases in long-term debt	3,773,300
Decreases in long-term debt	(1,359,694)
Long-term debt payable, end of year	$ 31,625,859

At September 30, 2022, the District had $13,715,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District.

At an election held November 2, 2021, voters authorized the issuance of $3,000,000 in unlimited tax bonds for the construction of recreational facilities within the District.

The District's bonds carry an underlying rating of "A3" from Moody's Investors Service or "BBB" from Standard & Poor's. The Series 2014, 2015, 2016 refunding, 2019A refunding, 2021 refunding and 2021A bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company. The Series 2017 refunding and 2020 refunding bonds carry a "AA" rating from Standard & Poor's and an "A1" rating from Moody's Investors Service by virtue of bond insurance issued by Assured Guaranty Municipal Corp. The Series 2019 bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Assured Guaranty Municipal Corp.

Other Relevant Factors

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston (the City), the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City without the District's consent. If the District is annexed, the City must assume the District's assets and obligations (including the bonded indebtedness) and abolish the District within 90 days.

Fort Bend County Municipal Utility District No. 123
Statement of Net Position and Governmental Funds Balance Sheet
September 30, 2022

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	$ 255,268	$ 23,621	$ 1,858	$ 280,747	$ -	$ 280,747
Certificates of deposit	465,337	240,941	-	706,278	-	706,278
Short-term investments	7,514,020	1,487,546	3,889,238	12,890,804	-	12,890,804
Receivables:						
Property taxes	5,450	8,829	-	14,279	-	14,279
Service accounts	175,981	-	-	175,981	-	175,981
Accrued interest	1,377	330	-	1,707	-	1,707
Interfund receivables	4,720	4,608	-	9,328	(9,328)	-
Due from others	25,257	-	-	25,257	-	25,257
Prepaid expenditures	1,423	-	-	1,423	-	1,423
Operating reserve	75,000	-	-	75,000	-	75,000
Capital assets (net of accumulated depreciation):						
Land and improvements	-	-	-	-	11,500,976	11,500,976
Construction in progress	-	-	-	-	481,967	481,967
Infrastructure	-	-	-	-	15,940,109	15,940,109
Total assets	8,523,833	1,765,875	3,891,096	14,180,804	27,913,724	42,094,528
Deferred Outflows of Resources						
Deferred amount on debt refundings	0	0	0	0	1,027,021	1,027,021
Total assets and deferred outflows of resources	$ 8,523,833	$ 1,765,875	$ 3,891,096	$ 14,180,804	$ 28,940,745	$ 43,121,549

Fort Bend County Municipal Utility District No. 123

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

September 30, 2022

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Liabilities						
Accounts payable	$ 116,763	$ 1,023	$ 290	$ 118,076	$ -	$ 118,076
Accrued interest payable	-	-	-	-	77,602	77,602
Due to others	91,825	-	-	91,825	-	91,825
Customer deposits	136,025	-	-	136,025	-	136,025
Interfund payables	4,608	4,720	-	9,328	(9,328)	-
Long-term liabilities:						
Due within one year	-	-	-	-	1,375,000	1,375,000
Due after one year	-	-	-	-	30,250,859	30,250,859
Total liabilities	349,221	5,743	290	355,254	31,694,133	32,049,387
Deferred Inflows of Resources						
Deferred property tax revenues	5,450	8,829	0	14,279	(14,279)	0
Fund Balances/Net Position						
Fund balances:						
Nonspendable, prepaid expenditures	1,423	-	-	1,423	(1,423)	-
Restricted:						
Unlimited tax bonds	-	1,751,303	-	1,751,303	(1,751,303)	-
Water, sewer and drainage	-	-	3,890,806	3,890,806	(3,890,806)	-
Assigned, operating reserve	75,000	-	-	75,000	(75,000)	-
Unassigned	8,092,739	-	-	8,092,739	(8,092,739)	-
Total fund balances	8,169,162	1,751,303	3,890,806	13,811,271	(13,811,271)	0
Total liabilities, deferred inflows of resources and fund balances	$ 8,523,833	$ 1,765,875	$ 3,891,096	$ 14,180,804		
Net position:						
Net investment in capital assets					1,122,715	1,122,715
Restricted for debt service					1,682,530	1,682,530
Restricted for capital projects					92,305	92,305
Unrestricted					8,174,612	8,174,612
Total net position					$ 11,072,162	$ 11,072,162

Fort Bend County Municipal Utility District No. 123

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

Year Ended September 30, 2022

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	$ 1,468,829	$ 2,382,316	$ -	$ 3,851,145	$ 3,291	$ 3,854,436
Water service	481,999	-	-	481,999	-	481,999
Sewer service	632,069	-	-	632,069	-	632,069
Regional water fee	655,606	-	-	655,606	-	655,606
Penalty and interest	61,870	16,630	-	78,500	-	78,500
Tap connection and inspection fees	1,100	-	-	1,100	-	1,100
Investment income	52,014	18,020	25,111	95,145	-	95,145
Other income	34,342	-	-	34,342	(5,619)	28,723
Total revenues	3,387,829	2,416,966	25,111	5,829,906	(2,328)	5,827,578
Expenditures/Expenses						
Service operations:						
Purchased services	1,068,963	-	-	1,068,963	-	1,068,963
Professional fees	166,581	2,946	-	169,527	774	170,301
Contracted services	495,346	56,434	-	551,780	-	551,780
Utilities	11,359	-	-	11,359	-	11,359
Repairs and maintenance	295,048	-	-	295,048	-	295,048
Other expenditures	71,054	11,600	530	83,184	-	83,184
Capital outlay	181,924	-	52,311	234,235	(234,235)	-
Depreciation	-	-	-	-	655,183	655,183
Debt service:						
Principal retirement	-	1,335,000	-	1,335,000	(1,335,000)	-
Interest and fees	-	960,414	-	960,414	42,608	1,003,022
Debt issuance costs	24,631	-	212,997	237,628	-	237,628
Total expenditures/expenses	2,314,906	2,366,394	265,838	4,947,138	(870,670)	4,076,468
Excess (Deficiency) of Revenues Over Expenditures	1,072,923	50,572	(240,727)	882,768	868,342	

Fort Bend County Municipal Utility District No. 123

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

Year Ended September 30, 2022

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Other Financing Sources (Uses)						
Interfund transfers in (out)	$ 191,443	$ -	$ (191,443)	$ -	$ -	
General obligation bonds issued	-	-	3,890,000	3,890,000	(3,890,000)	
Discount on debt issued	-	-	(116,700)	(116,700)	116,700	
Total other financing sources	191,443	0	3,581,857	3,773,300	(3,773,300)	
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	1,264,366	50,572	3,341,130	4,656,068	(4,656,068)	
Change in Net Position					1,751,110	$ 1,751,110
Fund Balances/Net Position						
Beginning of year	6,904,796	1,700,731	549,676	9,155,203	-	9,321,052
End of year	$ 8,169,162	$ 1,751,303	$ 3,890,806	$ 13,811,271	$ 0	$ 11,072,162

Fort Bend County Municipal Utility District No. 123

Notes to Financial Statements

September 30, 2022

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

Fort Bend County Municipal Utility District No. 123 (the District) was created by an order of the Texas Natural Resource Conservation Commission, now known as the Texas Commission on Environmental Quality (the Commission), effective November 21, 2000, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities and to provide such facilities and services to the customers of the District.

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

Reporting Entity

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

Government-wide and Fund Financial Statements

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

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

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

The District presents the following major governmental funds:

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

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

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

Fund Balances – Governmental Funds

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

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

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

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

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

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

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

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

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

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

Fund Financial Statements

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

Deferred Outflows and Inflows of Resources

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

Interfund Transactions

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

Pension Costs

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

Use of Estimates

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

Investments and Investment Income

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

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

Property Taxes

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

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

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

Capital Assets

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

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

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

	Years
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45
Drainage facilities	10-45

Deferred Amount on Debt Refundings

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

Debt Issuance Costs

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

Long-term Obligations

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

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

Net Position/Fund Balances

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	$ 27,923,052
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	14,279
Deferred amount on debt refundings for governmental activities are not financial resources and are not reported in the funds.	1,027,021
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(77,602)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	(31,625,859)
Adjustment to fund balances to arrive at net position.	$ (2,739,109)

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

Change in fund balances.	$	4,656,068
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense and noncapitalized costs exceeded capital outlay expenditures in the current year.		(421,722)
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		116,700
Governmental funds report proceeds from the sale of bonds because they provide current financial resources to governmental funds. Principal payments on debt are recorded as expenditures. None of these transactions, however, have any effect on net position.		(2,555,000)
Revenues collected in the current year, which have previously been reported in the statement of activities, are reported as revenues in the governmental funds.		(2,328)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(42,608)
Change in net position of governmental activities.	$	1,751,110

Note 2: Deposits, Investments and Investment Income

Deposits

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

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

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

Investments

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

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

The District invests in TexSTAR, an external investment pool that is not registered with the Securities and Exchange Commission. A Board of Directors, made up of participants and representatives of the administrator and investment manager, has oversight of TexSTAR. The District's investments may be redeemed at any time.

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

		Maturities in Years			
Type	**Amortized Cost**	**Less Than 1**	**1-5**	**6-10**	**More Than 10**
TexSTAR	$ 12,890,804	$ 12,890,804	$ 0	$ 0	$ 0

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

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

Summary of Carrying Values

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

Carrying value:		
Deposits	$	987,025
Investments		12,890,804
Total	$	13,877,829

Included in the following statement of net position captions:

Cash	$	280,747
Certificates of deposit		706,278
Short-term investments		12,890,804
Total	$	13,877,829

Investment Income

Investment income of $95,145 for the year ended September 30, 2022, consisted of interest income.

Note 3: Capital Assets

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

Governmental Activities	Balances, Beginning of Year	Additions	Retirements	Balances, End of Year
Capital assets, non-depreciable:				
Land and improvements	$ 11,500,976	$ -	$ -	$ 11,500,976
Construction in progress	285,016	196,951	-	481,967
Total capital assets, non-depreciable	11,785,992	196,951	0	11,982,943
Capital assets, depreciable:				
Water production and distribution facilities	5,652,853	-	-	5,652,853
Wastewater collection and treatment facilities	10,337,003	36,510	(18,729)	10,354,784
Drainage facilities	8,001,566	-	-	8,001,566
Total capital assets, depreciable	23,991,422	36,510	(18,729)	24,009,203

Governmental Activities (Continued)	Balances, Beginning of Year	Additions	Retirements	Balances, End of Year
Less accumulated depreciation:				
Water production and distribution facilities	$ (2,097,903)	$ (164,366)	$ -	$ (2,262,269)
Wastewater collection and treatment facilities	(2,889,430)	(308,719)	13,110	(3,185,039)
Drainage facilities	(2,439,688)	(182,098)	-	(2,621,786)
Total accumulated depreciation	(7,427,021)	(655,183)	13,110	(8,069,094)
Total governmental activities, net	$ 28,350,393	$ (421,722)	$ (5,619)	$ 27,923,052

Note 4: Long-term Liabilities

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

Governmental Activities	Balances, Beginning of Year	Increases	Decreases	Balances, End of Year	Amounts Due In One Year
Bonds payable:					
General obligation bonds	$ 28,780,000	$ 3,890,000	$ 1,335,000	$ 31,335,000	$ 1,375,000
Add premiums on bonds	631,361	-	38,158	593,203	-
Less discounts on bonds	199,108	116,700	13,464	302,344	-
Total governmental activities long-term liabilities	$ 29,212,253	$ 3,773,300	$ 1,359,694	$ 31,625,859	$ 1,375,000

General Obligation Bonds

	Series 2014	Series 2015
Amounts outstanding, September 30, 2022	$4,150,000	$1,375,000
Interest rates	2.00% to 3.50%	2.00% to 4.00%
Maturity dates, serially beginning/ending	September 1, 2023/2039	September 1, 2023/2039
Interest payment dates	March 1/ September 1	March 1/ September 1
Callable dates*	September 1, 2022	September 1, 2023

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

	Refunding Series 2016	Refunding Series 2017
Amounts outstanding, September 30, 2022	$8,220,000	$3,420,000
Interest rates	3.00% to 4.00%	2.000% to 3.125%
Maturity dates, serially beginning/ending	September 1, 2023/2034	September 1, 2023/2035
Interest payment dates	March 1/ September 1	March 1/ September 1
Callable dates*	September 1, 2023	September 1, 2024

	Series 2019	Refunding Series 2019A
Amounts outstanding, September 30, 2022	$2,260,000	$1,800,000
Interest rates	3.00% to 3.55%	3.00% to 3.50%
Maturity dates, serially beginning/ending	September 1, 2023/2040	September 1, 2023/2036
Interest payment dates	March 1/ September 1	March 1/ September 1
Callable dates*	September 1, 2024	September 1, 2024

	Refunding Series 2020	Refunding Series 2021
Amounts outstanding, September 30, 2022	$2,620,000	$3,645,000
Interest rates	2.00% to 4.00%	2.00% to 3.00%
Maturity dates, serially beginning/ending	September 1, 2023/2037	September 1, 2023/2039
Interest payment dates	March 1/ September 1	March 1/ September 1
Callable dates*	September 1, 2026	September 1, 2026

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

	Series 2021A
Amount outstanding, September 30, 2022	$3,845,000
Interest rates	2.00% to 4.50%
Maturity dates, serially beginning/ending	September 1, 2023/2041
Interest payment dates	March 1/ September 1
Callable date*	September 1, 2027

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

Annual Debt Service Requirements

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

Year	Principal	Interest	Total
2023	$ 1,375,000	$ 931,229	$ 2,306,229
2024	1,410,000	892,104	2,302,104
2025	1,450,000	846,004	2,296,004
2026	1,495,000	798,967	2,293,967
2027	1,540,000	749,504	2,289,504
2028-2032	8,405,000	2,957,240	11,362,240
2033-2037	9,545,000	1,584,802	11,129,802
2038-2041	6,115,000	355,445	6,470,445
Total	$ 31,335,000	$ 9,115,295	$ 40,450,295

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

Bonds voted	$ 55,000,000
Bonds sold	41,285,000
Refunding bonds voted	35,000,000
Refunding bonds authorization used	938,397
Park and refunding bonds voted	3,000,000

Note 5: Significant Bond Resolution and Commission Requirements

A. The Bond Resolutions require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended September 30, 2022, the District levied an ad valorem debt service tax at the rate of $0.6650 per $100 of assessed valuation, which resulted in a tax levy of $2,384,829 on the taxable valuation of $358,620,826 for the 2021 tax year. The interest and principal requirements paid from the tax revenues and available resources were $2,285,664.

B. During the current year, the District transferred $191,443 from the capital projects fund to the general fund. The transfer was in accordance with the rules of the Commission.

Note 6: Maintenance Taxes

At an election held January 20, 2001, voters authorized a maintenance tax not to exceed $1.50 per $100 of assessed valuation on all property within the District subject to taxation. During the year ended September 30, 2022, the District levied an ad valorem maintenance tax at the rate of $0.4100 per $100 of assessed valuation, which resulted in a tax levy of $1,470,345 on the taxable valuation of $358,620,826 for the 2021 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 7: Joint Facilities

As of February 2, 2004, and as amended February 15, 2006, March 21, 2007, March 19, 2008, April 15, 2009, February 15, 2012 and May 12, 2020, the District and Fort Bend County Municipal Utility District No. 122 (District No. 122) entered into a joint use and cost sharing agreement of a water plant, a wastewater treatment plant, other water distribution and sanitary sewer collection facilities, and detention and drainage facilities and recreational facilities that serve areas within both districts. Under the terms of the 40-year agreement, operating costs (except for lease payments and recreational facilities costs) are shared based upon the number of active connections served by each district and capital costs are shared based on the capacity owned by each district. The District's share of lease payments is 52 percent. The District's share of recreational facilities costs is 60 percent. District No. 122 manages and operates the facilities for the benefit of the participants. During the current year, the District incurred expenditures under the agreement of $1,068,963.

The following table represents condensed audited financial information of the joint facilities as of and for the year ended September 30, 2022:

Total assets	$	305,774
Total liabilities	$	155,774
Total fund balance		150,000
Total liabilities and fund balance	$	305,774
Total revenues	$	2,003,832
Total expenditures		2,003,832
Excess revenues	$	0

Note 8: Risk Management

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

Note 9: Regional Water Authority

The District is within the boundaries of the North Fort Bend Water Authority (the Authority), which was created by the Texas Legislature. The Authority was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Fort Bend Subsidence District, which regulates groundwater withdrawal. At September 30, 2022, the Authority was billing District No. 122 $4.55 per 1,000 gallons of water pumped from its wells and $4.90 for surface water. District No. 122 in turn bills the District for its proportionate share of these fees. These amounts are subject to future increases.

Required Supplementary Information

Fort Bend County Municipal Utility District No. 123

Budgetary Comparison Schedule – General Fund

Year Ended September 30, 2022

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property taxes	$ 1,395,125	$ 1,395,125	$ 1,468,829	$ 73,704
Water service	500,000	500,000	481,999	(18,001)
Sewer service	625,000	625,000	632,069	7,069
Regional water fee	550,000	550,000	655,606	105,606
Penalty and interest	15,600	15,600	61,870	46,270
Tap connection and inspection fees	1,000	1,000	1,100	100
Investment income	2,500	2,500	52,014	49,514
Other income	-	-	34,342	34,342
Total revenues	3,089,225	3,089,225	3,387,829	298,604
Expenditures				
Service operations:				
Purchased services	1,206,728	1,206,728	1,068,963	137,765
Professional fees	142,000	142,000	166,581	(24,581)
Contracted services	507,500	507,500	495,346	12,154
Utilities	10,000	10,000	11,359	(1,359)
Repairs and maintenance	321,000	351,000	295,048	55,952
Other expenditures	80,265	99,765	71,054	28,711
Capital outlay	700,000	700,000	181,924	518,076
Debt service, debt issuance costs	-	-	24,631	(24,631)
Total expenditures	2,967,493	3,016,993	2,314,906	702,087
Excess of Revenues Over Expenditures	121,732	72,232	1,072,923	1,000,691
Other Financing Sources				
Interfund transfers in	-	-	191,443	191,443
Excess of Revenues and Transfers In Over Expenditures and Transfers Out	121,732	72,232	1,264,366	1,192,134
Fund Balance, Beginning of Year	6,904,796	6,904,796	6,904,796	-
Fund Balance, End of Year	$ 7,026,528	$ 6,977,028	$ 8,169,162	$ 1,192,134

Fort Bend County Municipal Utility District No. 123

Notes to Required Supplementary Information

September 30, 2022

Budgets and Budgetary Accounting

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

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

Other Information

Fort Bend County Municipal Utility District No. 123
Other Schedules Included Within This Report
September 30, 2022

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

[X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 14-27

[X] Schedule of Services and Rates

[X] Schedule of General Fund Expenditures

[X] Schedule of Temporary Investments

[X] Analysis of Taxes Levied and Receivable

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

[X] Changes in Long-term Bonded Debt

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

[X] Board Members, Key Personnel and Consultants

Fort Bend County Municipal Utility District No. 123

Schedule of Services and Rates

Year Ended September 30, 2022

1. Services provided by the District:

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

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

___ Other ______

2. Retail service providers

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels		
Water:	$ 20.25	5,000	N	$ 2.70	5,001	to	10,000
				$ 3.00	10,001	to	20,000
				$ 3.15	20,001	to	50,000
				$ 3.30	50,001	to	75,000
				$ 3.60	75,001	to	No Limit
Wastewater:	$ 35.39	5,000	N	$ 2.25	5,001	to	No Limit
Regional water fee:	$ 5.39	1	N	$ 5.39	1,001	to	No Limit

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

Total charges per 10,000 gallons usage (including fees): Water $ 87.65 Wastewater $ 46.64

b. Water and wastewater retail connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC*
Unmetered	-	-	x1.0	-
≤ 3/4"	1,136	1,131	x1.0	1,131
1"	257	255	x2.5	638
1 1/2"	-	-	x5.0	-
2"	9	9	x8.0	72
3"	-	-	x15.0	-
4"	-	-	x25.0	-
6"	-	-	x50.0	-
8"	-	-	x80.0	-
10"	-	-	x115.0	-
Total water	1,402	1,395		1,841
Total wastewater	1,385	1,379	x1.0	1,379

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

Gallons pumped into the system:	128,080
Gallons billed to customers:	128,080
Water accountability ratio (gallons billed/gallons pumped):	100.00%

*"ESFC" means equivalent single-family connections

Fort Bend County Municipal Utility District No. 123

Schedule of General Fund Expenditures

Year Ended September 30, 2022

Personnel (including benefits)		$ -
Professional Fees		
Auditing	$ 21,000	
Legal	105,498	
Engineering	40,083	
Financial advisor	-	166,581
Purchased Services for Resale		
Bulk water and wastewater service purchases		1,068,963
Regional Water Fee		-
Contracted Services		
Bookkeeping	22,963	
General manager	-	
Appraisal district	-	
Tax collector	-	
Security	92,260	
Other contracted services	63,365	178,588
Utilities		11,359
Repairs and Maintenance		295,048
Administrative Expenditures		
Directors' fees	14,400	
Office supplies	22,388	
Insurance	8,840	
Other administrative expenditures	25,426	71,054
Capital Outlay		
Capitalized assets	181,924	
Expenditures not capitalized	-	181,924
Debt Service		
Debt issuance costs		24,631
Tap Connection Expenditures		-
Solid Waste Disposal		316,758
Fire Fighting		-
Parks and Recreation		-
Other Expenditures		-
Total expenditures		$ 2,314,906

Fort Bend County Municipal Utility District No. 123

Schedule of Temporary Investments

September 30, 2022

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
Certificate of Deposit				
No. 626789	2.27%	08/01/23	$ 125,186	$ 467
No. 95900011999519	2.10%	08/08/23	240,000	732
No. 626819	2.50%	09/04/23	100,151	178
TexSTAR	2.77%	Demand	7,514,020	-
			7,979,357	1,377
Debt Service Fund				
Certificate of Deposit				
No. 1002360856	0.30%	10/15/22	240,941	330
TexSTAR	2.77%	Demand	1,487,546	-
			1,728,487	330
Capital Projects Fund				
TexSTAR	2.77%	Demand	3,889,238	0
Totals			$ 13,597,082	$ 1,707

Fort Bend County Municipal Utility District No. 123

Analysis of Taxes Levied and Receivable

Year Ended September 30, 2022

	Maintenance Taxes	Debt Service Taxes
Receivable, Beginning of Year	$ 4,215	$ 6,773
Additions and corrections to prior year's taxes	(281)	(457)
Adjusted receivable, beginning of year	3,934	6,316
2021 Original Tax Levy	1,468,878	2,382,449
Additions and corrections	1,467	2,380
Adjusted tax levy	1,470,345	2,384,829
Total to be accounted for	1,474,279	2,391,145
Tax collections: Current year	(1,465,693)	(2,377,284)
Prior years	(3,136)	(5,032)
Receivable, end of year	$ 5,450	$ 8,829
Receivable, by Years		
2021	$ 4,652	$ 7,545
2020	721	1,155
2019	24	39
2018	53	90
Receivable, end of year	$ 5,450	$ 8,829

Fort Bend County Municipal Utility District No. 123

Analysis of Taxes Levied and Receivable (Continued)

Year Ended September 30, 2022

	2021	2020	2019	2018
Property Valuations				
Land	$ 61,863,040	$ 61,863,040	$ 62,171,800	$ 58,998,270
Improvements	302,537,140	290,663,880	281,831,785	281,435,047
Personal property	2,122,770	1,769,180	1,764,260	1,686,850
Exemptions	(7,902,124)	(7,437,443)	(5,745,564)	(5,069,427)
Total property valuations	$ 358,620,826	$ 346,858,657	$ 340,022,281	$ 337,050,740
Tax Rates per $100 Valuation				
Debt service tax rates	$ 0.6650	$ 0.6650	$ 0.6650	$ 0.6800
Maintenance tax rates*	0.4100	0.4150	0.4150	0.4000
Total tax rates per $100 valuation	$ 1.0750	$ 1.0800	$ 1.0800	$ 1.0800
Tax Levy	$ 3,855,174	$ 3,746,073	$ 3,672,240	$ 3,640,147
Percent of Taxes Collected to Taxes Levied**	99%	99%	99%	99%

*Maximum tax rate approved by voters: $1.50 on January 20, 2001.

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

Fort Bend County Municipal Utility District No. 123

Schedule of Long-term Debt Service Requirements by Years

September 30, 2022

	Series 2014		
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1, September 1	Total
2023	$ 160,000	$ 132,588	$ 292,588
2024	170,000	127,787	297,787
2025	180,000	122,688	302,688
2026	190,000	117,287	307,287
2027	200,000	111,588	311,588
2028	210,000	105,587	315,587
2029	220,000	99,288	319,288
2030	230,000	92,687	322,687
2031	240,000	85,788	325,788
2032	250,000	78,587	328,587
2033	260,000	70,775	330,775
2034	260,000	62,650	322,650
2035	280,000	54,200	334,200
2036	300,000	44,750	344,750
2037	300,000	34,625	334,625
2038	350,000	24,500	374,500
2039	350,000	12,250	362,250
Totals	$ 4,150,000	$ 1,377,625	$ 5,527,625

Fort Bend County Municipal Utility District No. 123

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

September 30, 2022

	Series 2015		
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1, September 1	Total
2023	$ 75,000	$ 48,062	$ 123,062
2024	75,000	45,813	120,813
2025	75,000	43,562	118,562
2026	75,000	41,125	116,125
2027	75,000	38,687	113,687
2028	75,000	36,250	111,250
2029	75,000	33,812	108,812
2030	75,000	31,375	106,375
2031	75,000	28,938	103,938
2032	75,000	26,312	101,312
2033	75,000	23,688	98,688
2034	75,000	21,063	96,063
2035	75,000	18,344	93,344
2036	100,000	15,625	115,625
2037	100,000	12,000	112,000
2038	100,000	8,000	108,000
2039	100,000	4,000	104,000
Totals	$ 1,375,000	$ 476,656	$ 1,851,656

Fort Bend County Municipal Utility District No. 123

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

September 30, 2022

	Refunding Series 2016		
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1, September 1	Total
2023	$ 510,000	$ 305,350	$ 815,350
2024	530,000	290,050	820,050
2025	555,000	268,850	823,850
2026	585,000	246,650	831,650
2027	605,000	223,250	828,250
2028	630,000	199,050	829,050
2029	655,000	173,850	828,850
2030	675,000	147,650	822,650
2031	880,000	120,650	1,000,650
2032	905,000	85,450	990,450
2033	930,000	58,300	988,300
2034	760,000	30,400	790,400
Totals	$ 8,220,000	$ 2,149,500	$ 10,369,500

Fort Bend County Municipal Utility District No. 123

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

September 30, 2022

Due During Fiscal Years Ending September 30	Refunding Series 2017 Principal Due September 1	Interest Due March 1, September 1	Total
2023	$ 280,000	$ 90,038	$ 370,038
2024	285,000	84,438	369,438
2025	280,000	78,738	358,738
2026	280,000	73,138	353,138
2027	290,000	66,838	356,838
2028	305,000	59,587	364,587
2029	310,000	51,962	361,962
2030	320,000	42,662	362,662
2031	150,000	33,062	183,062
2032	150,000	28,562	178,562
2033	160,000	24,062	184,062
2034	285,000	19,062	304,062
2035	325,000	10,156	335,156
Totals	$ 3,420,000	$ 662,305	$ 4,082,305

Fort Bend County Municipal Utility District No. 123

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

September 30, 2022

	Series 2019		
Due During Fiscal Years Ending September 30	**Principal Due September 1**	**Interest Due March 1, September 1**	**Total**
2023	$ 50,000	$ 75,985	$ 125,985
2024	50,000	74,485	124,485
2025	50,000	72,985	122,985
2026	50,000	71,485	121,485
2027	50,000	69,985	119,985
2028	50,000	68,485	118,485
2029	50,000	66,985	116,985
2030	50,000	65,485	115,485
2031	50,000	63,985	113,985
2032	70,000	62,485	132,485
2033	70,000	60,140	130,140
2034	70,000	57,795	127,795
2035	20,000	55,450	75,450
2036	100,000	54,780	154,780
2037	370,000	51,430	421,430
2038	370,000	38,850	408,850
2039	370,000	26,085	396,085
2040	370,000	13,135	383,135
Totals	$ 2,260,000	$ 1,050,015	$ 3,310,015

Fort Bend County Municipal Utility District No. 123

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

September 30, 2022

	Refunding Series 2019A		
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1, September 1	Total
2023	$ 110,000	$ 55,575	$ 165,575
2024	110,000	52,275	162,275
2025	110,000	48,975	158,975
2026	110,000	45,675	155,675
2027	105,000	42,375	147,375
2028	105,000	39,225	144,225
2029	105,000	35,550	140,550
2030	105,000	31,875	136,875
2031	105,000	28,200	133,200
2032	100,000	25,050	125,050
2033	100,000	22,050	122,050
2034	100,000	19,050	119,050
2035	270,000	16,050	286,050
2036	265,000	7,950	272,950
Totals	$ 1,800,000	$ 469,875	$ 2,269,875

Fort Bend County Municipal Utility District No. 123

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

September 30, 2022

	Refunding Series 2020		
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1, September 1	Total
2023	$ 70,000	$ 56,300	$ 126,300
2024	75,000	54,200	129,200
2025	85,000	51,200	136,200
2026	85,000	48,650	133,650
2027	90,000	46,100	136,100
2028	95,000	44,300	139,300
2029	95,000	42,400	137,400
2030	105,000	40,500	145,500
2031	105,000	38,400	143,400
2032	110,000	36,300	146,300
2033	115,000	34,100	149,100
2034	120,000	31,800	151,800
2035	500,000	29,400	529,400
2036	490,000	19,400	509,400
2037	480,000	9,600	489,600
Totals	$ 2,620,000	$ 582,650	$ 3,202,650

Fort Bend County Municipal Utility District No. 123

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

September 30, 2022

	Refunding Series 2021		
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1, September 1	Total
2023	$ 75,000	$ 76,650	$ 151,650
2024	75,000	74,400	149,400
2025	75,000	72,150	147,150
2026	75,000	69,900	144,900
2027	75,000	67,650	142,650
2028	70,000	65,400	135,400
2029	70,000	64,000	134,000
2030	70,000	62,600	132,600
2031	70,000	61,200	131,200
2032	70,000	59,800	129,800
2033	70,000	58,400	128,400
2034	165,000	57,000	222,000
2035	410,000	53,700	463,700
2036	595,000	45,500	640,500
2037	575,000	33,600	608,600
2038	560,000	22,100	582,100
2039	545,000	10,900	555,900
Totals	$ 3,645,000	$ 954,950	$ 4,599,950

Fort Bend County Municipal Utility District No. 123
Schedule of Long-term Debt Service Requirements by Years (Continued)
September 30, 2022

	Series 2021A		
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1, September 1	Total
2023	$ 45,000	$ 90,681	$ 135,681
2024	40,000	88,656	128,656
2025	40,000	86,856	126,856
2026	45,000	85,057	130,057
2027	50,000	83,031	133,031
2028	50,000	80,781	130,781
2029	50,000	79,782	129,782
2030	50,000	78,781	128,781
2031	50,000	77,781	127,781
2032	50,000	76,781	126,781
2033	50,000	75,781	125,781
2034	50,000	74,781	124,781
2035	50,000	73,782	123,782
2036	100,000	72,781	172,781
2037	125,000	70,782	195,782
2038	500,000	68,125	568,125
2039	500,000	57,500	557,500
2040	1,000,000	46,250	1,046,250
2041	1,000,000	23,750	1,023,750
Totals	$ 3,845,000	$ 1,391,719	$ 5,236,719

Fort Bend County Municipal Utility District No. 123

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

September 30, 2022

	Annual Requirements For All Series		
Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2023	$ 1,375,000	$ 931,229	$ 2,306,229
2024	1,410,000	892,104	2,302,104
2025	1,450,000	846,004	2,296,004
2026	1,495,000	798,967	2,293,967
2027	1,540,000	749,504	2,289,504
2028	1,590,000	698,665	2,288,665
2029	1,630,000	647,629	2,277,629
2030	1,680,000	593,615	2,273,615
2031	1,725,000	538,004	2,263,004
2032	1,780,000	479,327	2,259,327
2033	1,830,000	427,296	2,257,296
2034	1,885,000	373,601	2,258,601
2035	1,930,000	311,082	2,241,082
2036	1,950,000	260,786	2,210,786
2037	1,950,000	212,037	2,162,037
2038	1,880,000	161,575	2,041,575
2039	1,865,000	110,735	1,975,735
2040	1,370,000	59,385	1,429,385
2041	1,000,000	23,750	1,023,750
Totals	$ 31,335,000	$ 9,115,295	$ 40,450,295

Fort Bend County Municipal Utility District No. 123

Changes in Long-term Bonded Debt

Year Ended September 30, 2022

	Series 2014	Series 2015	Refunding Series 2016	Refunding Series 2017
				Bond
Interest rates	2.00% to 3.50%	2.00% to 4.00%	3.00% to 4.00%	2.000% to 3.125%
Dates interest payable	March 1/ September 1	March 1/ September 1	March 1/ September 1	March 1/ September 1
Maturity dates	September 1, 2023/2039	September 1, 2023/2039	September 1, 2023/2034	September 1, 2023/2035
Bonds outstanding, beginning of current year	$ 4,300,000	$ 1,450,000	$ 8,715,000	$ 3,585,000
Bonds sold during current year	-	-	-	-
Retirements, principal	150,000	75,000	495,000	165,000
Bonds outstanding, end of current year	$ 4,150,000	$ 1,375,000	$ 8,220,000	$ 3,420,000
Interest paid during current year	$ 137,087	$ 50,313	$ 320,200	$ 94,988

Paying agent's name and address:

Series 2014 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2015 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2016 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2017 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2019 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2019A - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2020 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2021 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2021A - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Bond authority:

	Tax Bonds	Park Bonds	Tax Refunding Bonds
Amount authorized by voters	$ 55,000,000	$ 3,000,000	$ 38,000,000
Amount of authorization issued	$ 41,285,000	$ 0	$ 938,397
Remaining authorization to be issued	$ 13,715,000	$ 3,000,000	$ 37,061,603

Debt service fund cash and temporary investment balances as of September 30, 2022: $ 1,752,108

Average annual debt service payment (principal and interest) for remaining term of all debt: $ 2,128,963

Issues

Series 2019	Refunding Series 2019A	Refunding Series 2020	Refunding Series 2021	Series 2021A	Total
3.00% to 3.55%	3.00% to 3.50%	2.00% to 4.00%	2.00% to 3.00%	2.00% to 4.50%	
March 1/ September 1	March 1/ September 1	March 1/ September 1	March 1/ September 1	March 1/ September 1	
September 1, 2023/2040	September 1, 2023/2036	September 1, 2023/2037	September 1, 2023/2039	September 1, 2023/2041	
$ 2,310,000	$ 2,010,000	$ 2,690,000	$ 3,720,000	$ -	$ 28,780,000
-	-	-	-	3,890,000	3,890,000
50,000	210,000	70,000	75,000	45,000	1,335,000
$ 2,260,000	$ 1,800,000	$ 2,620,000	$ 3,645,000	$ 3,845,000	$ 31,335,000
$ 77,485	$ 61,875	$ 58,400	$ 78,900	$ 71,416	$ 950,664

Fort Bend County Municipal Utility District No. 123

Comparative Schedule of Revenues and Expenditures – General Fund

Five Years Ended September 30,

	Amounts				
	2022	2021	2020	2019	2018
General Fund					
Revenues					
Property taxes	$ 1,468,829	$ 1,438,570	$ 1,410,159	$ 1,349,529	$ 1,369,804
Water service	481,999	456,913	470,146	458,124	472,878
Sewer service	632,069	649,159	632,732	604,473	620,687
Regional water fee	655,606	540,921	554,332	476,746	470,344
Penalty and interest	61,870	17,508	20,440	27,493	28,925
Tap connection and inspection fees	1,100	1,150	940	720	685
Investment income	52,014	4,127	56,628	133,236	73,586
Other income	34,342	19,897	5,657	849	911
Total revenues	3,387,829	3,128,245	3,151,034	3,051,170	3,037,820
Expenditures					
Service operations:					
Purchased services	1,068,963	1,021,499	990,564	907,729	937,499
Professional fees	166,581	148,488	134,191	145,785	119,987
Contracted services	495,346	475,728	446,030	423,298	399,127
Utilities	11,359	9,029	12,771	10,617	12,570
Repairs and maintenance	295,048	318,033	201,518	238,894	237,750
Other expenditures	71,054	89,100	63,544	54,099	56,308
Tap connections	-	-	-	-	17,742
Capital outlay	181,924	253,893	1,358,194	1,853,465	267,804
Debt service, debt issuance costs	24,631	38,385	-	15,667	15,793
Total expenditures	2,314,906	2,354,155	3,206,812	3,649,554	2,064,580
Excess (Deficiency) of Revenues Over Expenditures	1,072,923	774,090	(55,778)	(598,384)	973,240
Other Financing Sources (Uses)					
Interfund transfers in (out)	191,443	-	(7,800)	709,251	-
Excess (Deficiency) of Revenues and Transfers In Over Expenditures and Transfers Out	1,264,366	774,090	(63,578)	110,867	973,240
Fund Balance, Beginning of Year	6,904,796	6,130,706	6,194,284	6,083,417	5,110,177
Fund Balance, End of Year	$ 8,169,162	$ 6,904,796	$ 6,130,706	$ 6,194,284	$ 6,083,417
Total Active Retail Water Connections	1,395	1,395	1,396	1,395	1,392
Total Active Retail Wastewater Connections	1,379	1,379	1,380	1,379	1,376

Percent of Fund Total Revenues				
2022	2021	2020	2019	2018
43.4 %	46.0 %	44.7 %	44.2 %	45.1 %
14.2	14.6	14.9	15.0	15.6
18.7	20.8	20.1	19.8	20.4
19.4	17.3	17.6	15.6	15.5
1.8	0.6	0.7	0.9	1.0
0.0	0.0	0.0	0.0	0.0
1.5	0.1	1.8	4.4	2.4
1.0	0.6	0.2	0.1	0.0
100.0	100.0	100.0	100.0	100.0
31.6	32.6	31.4	29.7	30.9
4.9	4.8	4.3	4.8	4.0
14.6	15.2	14.2	13.9	13.1
0.3	0.3	0.4	0.3	0.4
8.7	10.2	6.4	7.8	7.8
2.1	2.9	2.0	1.8	1.9
-	-	-	-	0.6
5.4	8.1	43.1	60.8	8.8
0.7	1.2	-	0.5	0.5
68.3	75.3	101.8	119.6	68.0
31.7 %	24.7 %	(1.8) %	(19.6) %	32.0 %

Fort Bend County Municipal Utility District No. 123

Comparative Schedule of Revenues and Expenditures – Debt Service Fund

Five Years Ended September 30,

	Amounts				
	2022	2021	2020	2019	2018
Debt Service Fund					
Revenues					
Property taxes	$ 2,382,316	$ 2,305,197	$ 2,260,407	$ 2,293,922	$ 2,270,039
Penalty and interest	16,630	15,873	15,808	22,247	16,689
Investment income	18,020	2,573	14,542	45,428	29,287
Total revenues	2,416,966	2,323,643	2,290,757	2,361,597	2,316,015
Expenditures					
Current:					
Professional fees	2,946	5,023	3,157	7,227	4,800
Contracted services	56,434	41,585	51,685	49,484	48,139
Other expenditures	11,600	9,982	29,890	5,990	14,064
Debt service:					
Principal retirement	1,335,000	1,235,000	1,190,000	1,090,000	1,050,000
Interest and fees	960,414	937,984	1,038,433	1,051,085	1,111,665
Debt issuance costs	-	155,734	132,883	119,538	1,500
Debt defeasance	-	45,000	43,000	41,000	-
Total expenditures	2,366,394	2,430,308	2,489,048	2,364,324	2,230,168
Excess (Deficiency) of Revenues Over Expenditures	50,572	(106,665)	(198,291)	(2,727)	85,847
Other Financing Sources (Uses)					
Interfund transfers out	-	-	-	(10,399)	-
General obligation bonds issued	-	3,720,000	2,755,000	2,425,000	-
Deposit with escrow agent	-	(3,588,938)	(2,665,963)	(2,342,194)	-
Premium on debt issued	-	28,008	50,785	47,131	-
Total other financing sources	0	159,070	139,822	119,538	0
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	50,572	52,405	(58,469)	116,811	85,847
Fund Balance, Beginning of Year	1,700,731	1,648,326	1,706,795	1,589,984	1,504,137
Fund Balance, End of Year	$ 1,751,303	$ 1,700,731	$ 1,648,326	$ 1,706,795	$ 1,589,984

Percent of Fund Total Revenues				
2022	2021	2020	2019	2018
98.6 %	99.2 %	98.7 %	97.1 %	98.0 %
0.7	0.7	0.7	1.0	0.7
0.7	0.1	0.6	1.9	1.3
100.0	100.0	100.0	100.0	100.0
0.1	0.2	0.1	0.3	0.2
2.3	1.8	2.3	2.1	2.1
0.5	0.4	1.3	0.2	0.6
55.2	53.2	52.0	46.2	45.3
39.8	40.4	45.3	44.5	48.0
-	6.7	5.8	5.1	0.1
-	1.9	1.9	1.7	-
97.9	104.6	108.7	100.1	96.3
2.1 %	(4.6) %	(8.7) %	(0.1) %	3.7 %

Fort Bend County Municipal Utility District No. 123

Board Members, Key Personnel and Consultants

Year Ended September 30, 2022

Complete District mailing address:	Fort Bend County Municipal Utility District No. 123 c/o Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, Texas 77027	
District business telephone number:	713.860.6400	
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):		May 18, 2022
Limit on fees of office that a director may receive during a fiscal year:		$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
Larry Perkins	Elected 05/22-05/26	$ 3,150	$ 855	President
Joseph Caballero	Elected 05/20-05/24	1,950	234	Vice President
Jeffrey Joseph	Elected 05/22-05/26	4,200	1,799	Secretary
Dustin Nelson	Elected 05/20-05/24	1,800	324	Assistant Vice President
Mirna Bonilla-Odums	Elected 05/20-05/24	3,300	1,591	Assistant Secretary

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

Fort Bend County Municipal Utility District No. 123

Board Members, Key Personnel and Consultants (Continued)

Year Ended September 30, 2022

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Allen Boone Humphries Robinson LLP	01/21/04	$ 106,270	General Counsel
		101,192	Bond Counsel
Fort Bend Central Appraisal District	Legislative Action	31,980	Appraiser
FORVIS, LLP	08/17/05	23,000	Auditor
LJA Engineering & Surveying, Inc.	11/19/03	187,998	Engineer
Masterson Advisors, LLC	06/20/18	71,010	Financial Advisor
Municipal District Services, L.L.C.	05/01/12	270,307	Operator
Myrtle Cruz, Inc.	01/24/01	27,422	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	04/18/07	2,946	Delinquent Tax Attorney
Tax Tech, Incorporated	01/24/01	35,615	Tax Assessor/ Collector
Investment Officer			
Mary Jarmon	01/24/01	N/A	Bookkeeper

APPENDIX B

Specimen Municipal Bond Insurance Policy

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER] Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _________

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ____

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

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