FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 163

FORT BEND COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MAY 31, 2025

McCALL GIBSON SWEDLUND BARFOOT ELLIS PLLC
Certified Public Accountants

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McCall Gibson Swedlund Barfoot Ellis PLLC

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Fort Bend County Municipal
Utility District No. 163
Fort Bend County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 163 (the "District") as of and for the year ended May 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of May 31, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As discussed in Note 12 to the financial statements, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements,* resulting in restatement of the District's government-wide financial statements as of and for the fiscal year ended May 31, 2024. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Board of Directors
Fort Bend County Municipal Utility District No. 163

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund 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.

Board of Directors
Fort Bend County Municipal Utility District No. 163

Supplementary Information

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

McCall Gibson Swedlund Barfoot Ellis PLLC

McCall Gibson Swedlund Barfoot Ellis PLLC
Certified Public Accountants
Houston, Texas

September 23, 2025

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 163
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2025

Management's discussion and analysis of Fort Bend County Municipal Utility District No. 163's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended May 31, 2025. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all of the District's assets, liabilities, and if applicable, deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, maintenance tax revenues, costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the costs of assessing and collecting taxes. The Capital Projects Fund accounts for resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI") and other supplementary information. A budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets by $203,022 as of May 31, 2025.

The following table provides a comparative analysis of government-wide changes in net position:

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Summary of Changes in the Statement of Net Position

	2025	2024*	Change Positive (Negative)
Current and Other Assets	$ 3,793,464	$ 3,490,984	$ 302,480
Capital Assets (Net of Accumulated Depreciation)	7,853,750	8,064,179	(210,429)
Total Assets	$ 11,647,214	$ 11,555,163	$ 92,051
Due to Developers	$ 12,000	$ 12,000	$
Bonds Payable	11,739,587	12,175,735	436,148
Other Liabilities	98,649	126,302	27,653
Total Liabilities	$ 11,850,236	$ 12,314,037	$ 463,801
Net Position:			
Net Investment in Capital Assets	$ (3,748,075)	$ (3,979,613)	$ 231,538
Restricted	1,279,400	1,222,279	57,121
Unrestricted	2,265,653	1,998,462	267,191
Total Net Position	$ (203,022)	$ (758,872)	$ 555,850

The following table provides a summary of the District's operations for the years ending May 31, 2025, and May 31, 2024. The District's net position increased by $555,850.

Summary of Changes in the Statement of Activities

	2025	2024*	Change Positive (Negative)
Revenues:			
Property Taxes	$ 1,193,487	$ 1,231,636	$ (38,149)
Charges for Services	27,994	33,981	(5,987)
Other Revenues	160,053	146,605	13,448
Total Revenues	$ 1,381,534	$ 1,412,222	$ (30,688)
Expenses for Services	825,684	674,087	(151,597)
Change in Net Position	$ 555,850	$ 738,135	$ (182,285)
Net Position, Beginning of Year	(758,872)	(1,497,007)	738,135
Net Position, End of Year	$ (203,022)	$ (758,872)	$ 555,850

* As Adjusted, see Note 12

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The combined fund balances as of May 31, 2025, were $3,750,130, a increase of $326,763 from the prior year.

The General Fund fund balance increased by $267,747, primarily due to maintenance tax revenues exceeding operating costs.

The Debt Service Fund balance increased by $53,195, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund increased by $5,821, primarily due to investment revenue earned in the current year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were $65,277 less than budgeted revenues. Actual expenditures were $31,937 less than budgeted expenditures. This resulted in a negative budget variance of $33,340. See the budget to actual comparison on page 30 for further information.

CAPITAL ASSETS

Capital assets as of May 31, 2025, total $7,853,750 (net of accumulated depreciation). These capital assets include detention facilities owned and maintained by the District, as well as water, wastewater, drainage and road facilities conveyed and capital recovery fees paid to the City of Katy (the "City").

	Capital Assets, Net of Accumulated Depreciation		
	2025	2024*	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	$ 1,265,865	$ 1,265,865	$
Capital Assets, Net of Accumulated Depreciation:			
Water System	961,495	989,870	(28,375)
Wastewater System	1,239,406	1,275,867	(36,461)
Drainage System	1,507,463	1,551,184	(43,721)
Paving	1,540,471	1,585,949	(45,478)
Detention Facilities	919,927	960,810	(40,883)
Capital Recovery Fees	419,123	434,634	(15,511)
Total Net Capital Assets	$ 7,853,750	$ 8,064,179	$ (210,429)

* As Adjusted, see Note 12

CAPITAL ASSETS (Continued)

In accordance with the Utility Agreement, see Note 10, as certain assets are placed in service, they are conveyed to the City or corresponding HOA to maintain and operate. The District is entitled to significant residual interest in the facilities conveyed and continues to record these facilities as District assets and records depreciation on these facilities in accordance with GASB Statement No. 94.

LONG-TERM DEBT ACTIVITY

As of May 31, 2025, the District had total bond debt payable of $11,795,000.

The changes in the debt position of the District during the year ended May 31, 2025, are summarized as follows:

Bond Debt Payable, June 1, 2024	$ 12,235,000
Less: Bond Principal Paid	440,000
Bond Debt Payable, May 31, 2025	$ 11,795,000

The District's Series 2016 bonds are not rated. The Series 2018, Series 2020 and Series 2020A bonds carry an insured rating of "AA" from Standard & Poor's by virtue of bond insurance issued by Assured Guaranty. The Series 2021 bonds carry an insured rating of "AA" from Standard and Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company.

As of May 31, 2025, the District recorded an amount due to Developers of $12,000. This amount relates to developer advances received since inception of the District. See Note 8 for additional information related to the liability to the Developers.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Fort Bend County Municipal Utility District No. 163, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, TX 77027.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 163
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
MAY 31, 2025

	General Fund	Debt Service Fund
ASSETS		
Cash	$ 7,071	$ 49,338
Investments	2,227,956	1,295,848
Receivables:		
Property Taxes	9,638	21,134
Accrued Interest	23,039	10,301
Due from Others	11,377	
Due from Other Funds	11,134	
Land		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	$ 2,290,215	$ 1,376,621
LIABILITIES		
Accounts Payable	$ 12,562	$
Accrued Interest Payable		
Due to Developers		
Due to Other Funds		11,134
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	$ 12,562	$ 11,134
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	$ 9,638	$ 21,134
FUND BALANCES		
Restricted for Authorized Construction	$	$
Restricted for Debt Service		1,344,353
Unassigned	2,268,015	
TOTAL FUND BALANCES	$ 2,268,015	$ 1,344,353
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 2,290,215	$ 1,376,621
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

The accompanying notes to the financial statements are an integral part of this report.

Capital Projects Fund	Total	Adjustments	Statement of Net Position
$	$ 56,409	$	$ 56,409
137,762	3,661,566		3,661,566
	30,772		30,772
	33,340		33,340
	11,377		11,377
	11,134	(11,134)	
		1,265,865	1,265,865
		6,587,885	6,587,885
$ 137,762	$ 3,804,598	$ 7,842,616	$ 11,647,214
$	$ 12,562	$	$ 12,562
		86,087	86,087
		12,000	12,000
	11,134	(11,134)	
		450,000	450,000
		11,289,587	11,289,587
$ -0-	$ 23,696	$ 11,826,540	$ 11,850,236
$ - 0 -	$ 30,772	$ (30,772)	$ - 0 -
$ 137,762	$ 137,762	$ (137,762)	$
	1,344,353	(1,344,353)	
	2,268,015	(2,268,015)	
$ 137,762	$ 3,750,130	$ (3,750,130)	$ - 0 -
$ 137,762	$ 3,804,598		
		$ (3,748,075)	$ (3,748,075)
		1,279,400	1,279,400
		2,265,653	2,265,653
		$ (203,022)	$ (203,022)

The accompanying notes to the financial statements are an integral part of this report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 163
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
MAY 31, 2025

Total Fund Balances - Governmental Funds		$ 3,750,130
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		7,853,750
Deferred inflows of resources related to property tax revenues on delinquent taxes for the 2024 and prior tax levies became part of recognized revenue in the governmental activities of the District.		30,772
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:		
Due to Developer	$ (12,000)	
Accrued Interest Payable	(86,087)	
Bonds Payable	(11,739,587)	(11,837,674)
Total Net Position - Governmental Activities		$ (203,022)

The accompanying notes to the financial statements are an integral part of this report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 163
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MAY 31, 2025

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	$ 374,360	$ 819,145
Ditch Maintenance Revenues	18,673	
Penalty and Interest		9,321
Investment Revenues	102,087	51,395
TOTAL REVENUES	$ 495,120	$ 879,861
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	$ 66,140	$ 2,920
Contracted Services	47,154	30,245
Utilities	3,338	
Repairs and Maintenance	48,148	
Depreciation		
Other	62,593	2,378
Debt Service:		
Bond Principal		440,000
Bond Interest		351,123
TOTAL EXPENDITURES/EXPENSES	$ 227,373	$ 826,666
NET CHANGE IN FUND BALANCES	$ 267,747	$ 53,195
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION -		
JUNE 1, 2024, AS REPORTED	2,000,268	1,291,158
CHANGE DUE TO NEW ACCOUNTING GUIDANCE		
JUNE 1, 2024 AS RESTATED	$ 2,000,268	$ 1,291,158
FUND BALANCES/NET POSITION -		
MAY 31, 2025	$ 2,268,015	$ 1,344,353

The accompanying notes to the financial statements are an integral part of this report.

Capital Projects Fund	Total	Adjustments	Statement of Activities
$	$ 1,193,505	$ (18)	$ 1,193,487
	18,673		18,673
	9,321		9,321
6,571	160,053		160,053
$ 6,571	$ 1,381,552	$ (18)	$ 1,381,534
$	$ 69,060	$	$ 69,060
750	78,149		78,149
	3,338		3,338
	48,148		48,148
		210,429	210,429
	64,971		64,971
	440,000	(440,000)	
	351,123	466	351,589
$ 750	$ 1,054,789	$ (229,105)	$ 825,684
$ 5,821	$ 326,763	$ (326,763)	$
		555,850	555,850
131,941	3,423,367	(9,585,110)	(6,161,743)
		5,402,871	5,402,871
$ 131,941	$ 3,423,367	$ (4,182,239)	$ (758,872)
$ 137,762	$ 3,750,130	$ (3,953,152)	$ (203,022)

The accompanying notes to the financial statements are an integral part of this report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 163
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED MAY 31, 2025

Net Change in Fund Balances - Governmental Funds	$ 326,763
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	(18)
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(210,429)
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	440,000
Governmental funds report interest expenditures on long-term debt as expenditures in the period paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	(466)
Change in Net Position - Governmental Activities	$ 555,850

The accompanying notes to the financial statements are an integral part of this report.

NOTE 1. CREATION OF DISTRICT

Fort Bend County Municipal Utility District No. 163 (the "District") was created effective July 5, 2007, by an Order of the Texas Commission on Environmental Quality (the "Commission"). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, construct roads and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and, subject to certain regulatory approvals, to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on August 10, 2007, and the first bonds were sold on July 21, 2016.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

The District is a political subdivision of the State of Texas governed by an elected board. The GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District's financial statement as component units.

<u>Financial Statement Presentation</u>

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting ("GASB Codification").

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

The District has three governmental funds and considers each to be a major fund.

General Fund - To account for resources not required to be accounted for in another fund, maintenance tax revenues, costs and general expenditures.

Debt Service Fund - To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund – To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenues reported in the governmental funds to be available if they are collectable within 60 days after year-end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of May 31, 2025, the Debt Service Fund owes the General Fund $11,134 for maintenance tax collections.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than $5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Water System	10-45
Wastewater System	10-45
Drainage System	10-45

The District conveys completed water, wastewater, drainage and paving facilities to the City of Katy, Texas for ownership and maintenance of the facilities to service the residents of the District. The District is entitled to significant residual interest in the facilities conveyed and continues to record these facilities as District assets and records depreciation on these facilities in accordance with GASB Statement No. 94.

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Pensions

The District does not have employees. The Internal Revenue Service has determined that the directors are considered to be employees for federal payroll tax purposes only.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

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

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

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

Unassigned: all other spendable amounts in the General Fund.

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting 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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3. LONG-TERM DEBT

The following is a summary of transactions regarding bonds payable for the year ended May 31, 2025:

	June 1, 2024	Additions	Retirements	May 31, 2025
Bonds Payable	$ 12,235,000	$	$ 440,000	$ 11,795,000
Unamortized Discounts	(112,960)		(6,600)	(106,360)
Unamortized Premiums	53,695		2,748	50,947
Total Bonds Payable, net	$ 12,175,735	$ -0-	$ 436,148	$ 11,739,587

Amount Due Within One Year	$ 450,000
Amount Due After One Year	11,289,587
Total Bonds Payable, net	$ 11,739,587

	Series 2016	Series 2018	Series 2020
Amount Outstanding – May 31, 2025	$ 4,525,000	$ 2,785,000	$ 1,550,000
Interest Rates	2.30% - 3.50%	3.25% - 4.00%	2.00% - 2.375%
Maturity Date	September 1, 2025/2041	September 1, 2025/2042	September 1, 2025/2045
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2024*	September 1, 2023*	September 1, 2025*

NOTE 3. LONG-TERM DEBT (Continued)

* Or any date thereafter at a price of par plus unpaid accrued interest in whole or in part, at the option of the District. Series 2016 term bonds maturing September 1, 2030, September 1, 2032, September 1, 2034, September 1, 2036, and September 1, 2041, are subject to mandatory redemption by random selection beginning September 1, 2029, September 1, 2031, September 1, 2033, September 1, 2035, and September 1, 2037, respectively. Series 2018 term bonds maturing September 1, 2028, September 1, 2030, September 1, 2034, September 1, 2037, and September 1, 2042 are subject to mandatory redemption by random selection beginning September 1, 2027, September 1, 2029, September 1, 2031, September 1, 2035, and September 1, 2038, respectively. Series 2020 term bonds maturing September 1, 2032, September 1, 2035, and September 1, 2045, are subject to mandatory redemption by random selection beginning September 1, 2031, September 1, 2033, and September 1, 2036, respectively.

	Series 2020A Road	Series 2021 Road
Amount Outstanding – May 31, 2025	$ 1,995,000	$ 940,000
Interest Rates	2.00% - 4.00%	1.875% - 4.375%
Maturity Date	September 1, 2025/2045	September 1, 2025/2046
Interest Payment Dates	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2025*	September 1, 2025*

* Or any date thereafter at a price of par plus unpaid accrued interest in whole or in part, at the option of the District. Series 2020A term bonds maturing September 1, 2028, September 1, 2031, September 1, 2034, September 1, 2037, September 1, 2039, September 1, 2041, and September 1, 2045, are subject to mandatory redemption by random selection beginning September 1, 2026, September 1, 2029, September 1, 2032, September 1, 2035, September 1, 2038, September 1, 2040, and September 1, 2042, respectively. Series 2021 term bonds maturing September 1, 2029, September 1, 2032, September 1, 2035, September 1, 2038, September 1, 2042, and September 1, 2046, are subject to mandatory redemption by random selection beginning September 1, 2027, September 1, 2030, September 1, 2033, September 1, 2036, September 1, 2039, and September 1, 2043, respectively.

NOTE 3. LONG-TERM DEBT (Continued)

As of May 31, 2025, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2026	$ 450,000	$ 337,230	$ 787,230
2027	475,000	323,210	798,210
2028	495,000	309,914	804,914
2029	505,000	296,900	801,900
2030	520,000	283,144	803,144
2031-2035	2,925,000	1,180,186	4,105,186
2036-2040	3,515,000	701,145	4,216,145
2041-2045	2,580,000	170,009	2,750,009
2046-2047	330,000	4,873	334,873
	$ 11,795,000	$ 3,606,611	$ 15,401,611

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount. During the year ended May 31, 2025, the District levied an ad valorem debt service tax rate of $0.455 ($0.36 for utilities and $0.095 for roads) per $100 of assessed valuation, which resulted in a tax levy of $819,863 on the adjusted taxable valuation of $180,189,743 for the 2024 tax year. The bond resolutions require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

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

NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS

The bond resolutions state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to tile District to the state information depository. This information, along with the audited annual financial statements, is to be provided within six (6) months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was $2,026,409 and the bank balance was $2,048,377. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at May 31, 2025, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	$ 7,071	$ 1,645,000	$ 1,652,071
DEBT SERVICE FUND	49,338	325,000	374,338
TOTAL DEPOSITS	$ 56,409	$ 1,970,000	$ 2,026,409

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors.

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in Texas Cooperative Liquid Assets Securities System Trust ("Texas CLASS"), an external public funds investment pool that is not SEC-registered. Public Trust Advisors, LLC serves as the pool's administrator and investment advisor. The pool is subject to the general supervision of the Board of Trustees and its Advisory Board. UMB Bank, N.A. serves as custodian for the pool. Investments held by Texas CLASS are priced to market on a weekly basis. The investments are considered Level I investments because their fair value is measured by quoted prices in active markets. There are no limitations or restrictions on withdrawals from Texas CLASS.

Certificates of deposit are recorded at acquisition cost.

As of May 31, 2025, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
GENERAL FUND		
Texas CLASS	$ 582,956	$ 582,956
Certificates of Deposit	1,645,000	1,645,000
DEBT SERVICE FUND		
Texas CLASS	970,848	970,848
Certificates of Deposit	325,000	325,000
CAPITAL PROJECTS FUND		
Texas CLASS	137,762	137,762
TOTAL INVESTMENTS	$ 3,661,566	$ 3,661,566

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District's investments in Texas CLASS were rated AAAm by Standard and Poor's. The District also manages credit risk by investing in certificates of deposit with balances below FDIC coverage.

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Interest rate risk is the risk the changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in Texas CLASS to have maturities of less than one year since the share positions can usually be redeemed each day at the discretion of the District, unless there have been significant changes in value. The District also manages interest rate risk by investing in certificates of deposit with maturities of less than one year.

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes.

All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended May 31, 2025:

NOTE 6. CAPITAL ASSETS (Continued)

	June 1, 2024*	Increases	Decreases	May 31, 2025
Capital Assets Not Being Depreciated				
Land and Land Improvements	$ 1,265,865	$ -0-	$ - 0 -	$ 1,265,865
Capital Assets Subject to Depreciation				
Water System	$ 1,276,878	$	$	$ 1,276,878
Wastewater System	1,640,742			1,640,742
Drainage System	1,967,452			1,967,452
Paving	2,046,491			2,046,491
Detention Facilities	1,378,525			1,378,525
Capital Recovery Fees	536,424			536,424
Total Capital Assets Cost Subject to Depreciation	$ 8,846,512	$ -0-	$ - 0 -	$ 8,846,512
Accumulated Depreciation				
Water System	$ 287,008	$ 28,375	$	$ 315,383
Wastewater System	364,875	36,461		401,336
Drainage System	416,268	43,721		459,989
Paving	460,542	45,478		506,020
Detention Facilities	417,715	40,883		458,598
Capital Recovery Fees	101,790	15,511		117,301
Total Accumulated Depreciation	$ 2,048,198	$ 210,429	$ - 0 -	$ 2,258,627
Total Depreciable Capital Assets, Net of Accumulated Depreciation	$ 6,798,314	$ (210,429)	$ - 0 -	$ 6,587,885
Total Capital Assets, Net of Accumulated Depreciation	$ 8,064,179	$ (210,429)	$ - 0 -	$ 7,853,750

*As restated, see Note 12

The District conveys completed water, wastewater, drainage and paving facilities to the City of Katy, Texas for ownership and maintenance of the facilities to service the residents of the District. The District is entitled to significant residual interest in the facilities conveyed and continues to record these facilities as District assets and records depreciation on these facilities in accordance with GASB Statement No. 94.

NOTE 7. MAINTENANCE TAX

On November 6, 2012, the voters of the District approved the levy and collection of a maintenance tax not to exceed $1.50 per $100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating and maintaining the District's facilities. During the year ended May 31, 2025, the District levied an ad valorem maintenance tax of $0.2075 per $100 of assessed valuation, which resulted in a tax levy of $373,893 on the taxable valuation of $180,189,743 for the 2024 tax year.

NOTE 7. MAINTENANCE TAX (Continued)

On November 6, 2012, the voters of the District approved the levy and collection of a road maintenance tax not to exceed $0.25 per $100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of maintaining the District's roads. The District did not levy an ad valorem road maintenance tax during the current fiscal year.

NOTE 8. UNREIMBURSED COSTS

The Developers have advanced money to the District's General Fund in order for the District to meet its ongoing financial obligations. As of May 31, 2025, unreimbursed advances in the amount of $12,000 have been recorded as due to Developers in the Statement of Net Position.

The following table summarizes the current year activity related to unreimbursed developer costs for operating advances:

Due to Developers, beginning of year	$	12,000
Reimbursements		
Due to Developers, end of year	$	12,000

NOTE 9. COST SHARING AGREEMENT FOR FACILITIES

On November 29, 2012, the District entered into a Cost Sharing Agreement (the "Agreement") with Fort Bend County Municipal Utility District No. 161 ("District No. 161") and various developers. The Agreement calls for the District and District No. 161 to construct water, sewer, and lift stations facilities. The developers are advancing funds to the District and District No. 161 for the engineering and construction costs of facilities. The District's share of the costs is 28 percent and District No. 161's share of the costs is 72 percent.

On March 27, 2014, the District entered into a Drainage Ditch Agreement (the "Agreement") with Fort Bend County Municipal Utility District No. 151 ("District No. 151"). The Agreement calls for the District to maintain the T106 drainage channel extension on behalf of itself and District No. 151. The District will invoice District No. 151 monthly for its share of the costs, which is 72 percent, while the District's share of the cost is 28 percent.

On February 22, 2023, the District entered into a Detention Facilities Agreement (the "Agreement") with District No. 161 and Katy Gaston Investments, Inc. The Agreement calls for District No. 161 to maintain the Existing Ponds A and B, Existing Ditch B, and the District's Facilities on behalf of itself, the District, and Woodcreek Reserve MUD. District No. 161 will invoice the District monthly for its share of the maintenance costs, which are 17.5% of Existing Ponds A & B, 12.5% of Existing Ditch B, and 100% of the District's Facilities.

NOTE 10. UTILITY AGREEMENT WITH THE CITY OF KATY, TEXAS

The District has entered into a Utility Agreement with the City of Katy, Texas (the "City") for construction and extension of water distribution lines, sanitary sewer collection systems, and drainage facilities to serve the District. As the facilities are acquired or constructed, the District shall transfer the facilities (excluding storm water detention facilities) to the City, but will reserve a security interest in the facilities. The City will operate and maintain the facilities and will provide service to all users in the District. The term of the agreement is 40 years or upon dissolution of the District by the City. Water and sewer rates charged by the City to users in the District, shall be the same rates charged to similar users within the City. All revenue derived from these charges belongs to the City.

In accordance with the agreement, the District conveyed all of its water, sewer, and drainage facilities to the City. The District also constructs road facilities which are conveyed to the City or corresponding HOA for maintenance and operation.

NOTE 11. 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. The District carries commercial insurance for its fidelity bonds and participates in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide general liability, automobile, pollution liability, and public officials' liability. The District, along with other participating entities, contributes annual amounts determined by TML's management. As claims arise, they are submitted and paid by TML. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 12. PRIOR PERIOD ADJUSTMENT

In accordance with the requirements of Governmental Accounting Standards Board Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which the District was required to implement in the current fiscal year, certain assets recorded as intangible assets in prior years are now required to be classified as capital assets of the District. These assets will be depreciated over the estimated useful lives of the assets. The impact of this change in accounting principle resulted in an increase to prior period net position of $5,402,871.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 163

REQUIRED SUPPLEMENTARY INFORMATION

MAY 31, 2025

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 163
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MAY 31, 2025

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	$ 435,697	$ 374,360	$ (61,337)
Ditch Maintenance Revenues	21,000	18,673	(2,327)
Investment Revenues	103,700	102,087	(1,613)
TOTAL REVENUES	$ 560,397	$ 495,120	$ (65,277)
EXPENDITURES			
Service Operations:			
Professional Fees	$ 106,000	$ 66,140	$ 39,860
Contracted Services	44,000	47,154	(3,154)
Utilities	3,500	3,338	162
Repairs and Maintenance	25,000	48,148	(23,148)
Other	80,810	62,593	18,217
TOTAL EXPENDITURES	$ 259,310	$ 227,373	$ 31,937
NET CHANGE IN FUND BALANCE	$ 301,087	$ 267,747	$ (33,340)
FUND BALANCE - JUNE 1, 2024	2,000,268	2,000,268	
FUND BALANCE - MAY 31, 2025	$ 2,301,355	$ 2,268,015	$ (33,340)

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 163

SUPPLEMENTARY INFORMATION REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

MAY 31, 2025

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 163
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2025

1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

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

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

______ Other (specify): ______________________________

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):

Based on the rate order effective **(Not Applicable)**

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Not Applicable)

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
≤¾"			x 1.0	
1"			x 2.5	
1½"			x 5.0	
2"			x 8.0	
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections				
Total Wastewater Connections			x 1.0	

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Not Applicable)

See accompanying independent auditor's report.

4. **STANDBY FEES** (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes ___ No _X_

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

5. **LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes _X_ No ___

County in which District is located:

Fort Bend County, Texas

Is the District located within a city?

Entirely _X_ Partly ___ Not at all ___

City in which District is located:

City of Katy, Texas

Are the Board Members appointed by an office outside the District?

Yes ___ No _X_

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 163
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MAY 31, 2025

PROFESSIONAL FEES:	
Auditing	$ 14,750
Engineering	9,733
Legal	41,657
TOTAL PROFESSIONAL FEES	$ 66,140
CONTRACTED SERVICES:	
Bookkeeping	$ 47,154
UTILITIES	$ 3,338
REPAIRS AND MAINTENANCE	$ 48,148
ADMINISTRATIVE EXPENDITURES:	
Director Fees	$ 26,776
Dues	6,695
Insurance	2,997
Office Supplies and Postage	1,477
Payroll Taxes	2,598
Travel and Meetings	7,560
Other	14,490
TOTAL ADMINISTRATIVE EXPENDITURES	$ 62,593
TOTAL EXPENDITURES	$ 227,373

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 163
SCHEDULE OF INVESTMENTS
MAY 31, 2025

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
GENERAL FUND					
Texas CLASS	XXXX0001	Varies	Daily	$ 582,956	$
Certificate of Deposit	XXXX1260	4.00%	01/23/26	235,000	850
Certificate of Deposit	XXXX4293	5.00%	06/09/25	235,000	11,428
Certificate of Deposit	XXXX8802	4.17%	12/22/25	235,000	1,745
Certificate of Deposit	XXXX8758	4.00%	03/26/26	235,000	1,700
Certificate of Deposit	XXXX7254	4.15%	03/30/26	235,000	1,656
Certificate of Deposit	XXXX5310	4.08%	01/26/26	235,000	762
Certificate of Deposit	XXXX7581	4.25%	12/03/25	235,000	4,898
TOTAL GENERAL FUND				$ 2,227,956	$ 23,039
DEBT SERVICE FUND					
Texas CLASS	XXXX0002	Varies	Daily	$ 822,137	$
Texas CLASS	XXXX0003	Varies	Daily	148,711	
Certificate of Deposit	XXXX0939	5.25%	08/21/25	225,000	9,159
Certificate of Deposit	XXXX6154	4.30%	08/23/25	100,000	1,142
TOTAL DEBT SERVICE FUND				$ 1,295,848	$ 10,301
CAPITAL PROJECTS FUND					
Texas CLASS	XXXX0004	Varies	Daily	$ 92,831	$
Texas CLASS	XXXX0005	Varies	Daily	44,931	
TOTAL CAPITAL PROJECTS FUND				$ 137,762	$ -0-
TOTAL - ALL FUNDS				$ 3,661,566	$ 33,340

See accompanying independent auditor’s report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 163
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MAY 31, 2025

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
JUNE 1, 2024	$ 10,194		$ 20,596	
Adjustments to Beginning Balance	(89)	$ 10,105	(180)	$ 20,416
Original 2024 Tax Levy	$ 371,777		$ 815,222	
Adjustment to 2024 Tax Levy	2,116	373,893	4,641	819,863
TOTAL TO BE ACCOUNTED FOR		$ 383,998		$ 840,279
TAX COLLECTIONS:				
Prior Years	$ 10,105		$ 20,416	
Current Year	364,255	374,360	798,729	819,145
TAXES RECEIVABLE - MAY 31, 2025		$ 9,638		$ 21,134
TAXES RECEIVABLE BY YEAR:				
2024		$ 9,638		$ 21,134

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 163
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MAY 31, 2025

	2024	2023	2022	2021
PROPERTY VALUATIONS:				
Land	$ 36,538,012	$ 28,339,923	$ 28,340,184	$ 28,334,844
Improvements	157,605,021	139,278,033	142,644,699	105,587,793
Personal Property	509,393	148,098		22,350
Exemptions	(14,462,683)	(1,275,006)	(21,529,468)	(1,619,488)
TOTAL PROPERTY VALUATIONS	$ 180,189,743	$ 166,491,048	$ 149,455,415	$ 132,325,499
TAX RATES PER $100 VALUATION:				
Debt Service	$ 0.4550	$ 0.495	$ 0.565	$ 0.655
Maintenance	0.2075	0.245	$ 0.255	$ 0.235
TOTAL TAX RATES PER $100 VALUATION	$ 0.6625	$ 0.740	$ 0.820	$ 0.890
ADJUSTED TAX LEVY*	$ 1,193,756	$ 1,232,033	$ 1,225,535	$ 1,177,698
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	97.42 %	100.00 %	100.00 %	100.00 %

* Based upon adjusted tax levy at time of the audit for the fiscal year in which the tax was levied.

Maintenance Tax – Maximum tax rate in an amount of $1.50 per $100 assessed valuation approved by voters on November 6, 2012.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 163
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2025

	S E R I E S - 2 0 1 6		
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2026	$ 185,000	$ 143,498	$ 328,498
2027	195,000	138,650	333,650
2028	205,000	133,348	338,348
2029	210,000	127,640	337,640
2030	220,000	121,400	341,400
2031	230,000	114,650	344,650
2032	240,000	107,480	347,480
2033	250,000	99,885	349,885
2034	260,000	91,720	351,720
2035	270,000	82,975	352,975
2036	285,000	73,675	358,675
2037	295,000	63,815	358,815
2038	310,000	53,375	363,375
2039	320,000	42,350	362,350
2040	335,000	30,888	365,888
2041	350,000	18,900	368,900
2042	365,000	6,388	371,388
2043			
2044			
2045			
2046			
2047			
	$ 4,525,000	$ 1,450,637	$ 5,975,637

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 163
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2025

	SERIES - 2018		
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2026	$ 110,000	$ 98,556	$ 208,556
2027	115,000	94,056	209,056
2028	120,000	89,806	209,806
2029	120,000	85,906	205,906
2030	125,000	81,847	206,847
2031	130,000	77,544	207,544
2032	135,000	72,988	207,988
2033	145,000	68,088	213,088
2034	150,000	62,925	212,925
2035	155,000	57,588	212,588
2036	160,000	51,975	211,975
2037	165,000	46,084	211,084
2038	175,000	39,922	214,922
2039	180,000	33,375	213,375
2040	190,000	26,438	216,438
2041	195,000	19,219	214,219
2042	205,000	11,719	216,719
2043	210,000	3,938	213,938
2044			
2045			
2046			
2047			
	$ 2,785,000	$ 1,021,974	$ 3,806,974

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 163
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2025

	S E R I E S - 2 0 2 0		
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2026	$ 55,000	$ 33,638	$ 88,638
2027	55,000	32,538	87,538
2028	60,000	31,388	91,388
2029	60,000	30,188	90,188
2030	60,000	28,988	88,988
2031	65,000	27,738	92,738
2032	65,000	26,438	91,438
2033	65,000	25,138	90,138
2034	70,000	23,788	93,788
2035	70,000	22,388	92,388
2036	75,000	20,938	95,938
2037	75,000	19,297	94,297
2038	75,000	17,516	92,516
2039	80,000	15,675	95,675
2040	80,000	13,775	93,775
2041	85,000	11,816	96,816
2042	85,000	9,797	94,797
2043	90,000	7,719	97,719
2044	90,000	5,581	95,581
2045	95,000	3,384	98,384
2046	95,000	1,128	96,128
2047			
	$ 1,550,000	$ 408,856	$ 1,958,856

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 163
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2025

	SERIES-2020A		
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2026	$ 70,000	$ 41,625	$ 111,625
2027	75,000	39,475	114,475
2028	75,000	37,975	112,975
2029	80,000	36,425	116,425
2030	80,000	34,825	114,825
2031	80,000	33,225	113,225
2032	85,000	31,575	116,575
2033	85,000	29,875	114,875
2034	90,000	28,125	118,125
2035	90,000	26,325	116,325
2036	95,000	24,475	119,475
2037	95,000	22,575	117,575
2038	100,000	20,625	120,625
2039	100,000	18,625	118,625
2040	105,000	16,575	121,575
2041	105,000	14,344	119,344
2042	110,000	11,925	121,925
2043	115,000	9,394	124,394
2044	115,000	6,806	121,806
2045	120,000	4,163	124,163
2046	125,000	1,406	126,406
2047			
	$ 1,995,000	$ 490,363	$ 2,485,363

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 163
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2025

	SERIES - 2021		
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2026	$ 30,000	$ 19,913	$ 49,913
2027	35,000	18,491	53,491
2028	35,000	17,397	52,397
2029	35,000	16,741	51,741
2030	35,000	16,084	51,084
2031	35,000	15,428	50,428
2032	40,000	14,725	54,725
2033	40,000	13,975	53,975
2034	40,000	13,200	53,200
2035	40,000	12,400	52,400
2036	40,000	11,600	51,600
2037	45,000	10,750	55,750
2038	45,000	9,850	54,850
2039	45,000	8,950	53,950
2040	45,000	8,022	53,022
2041	45,000	7,066	52,066
2042	50,000	6,056	56,056
2043	50,000	4,994	54,994
2044	50,000	3,931	53,931
2045	50,000	2,869	52,869
2046	55,000	1,753	56,753
2047	55,000	586	55,586
	$ 940,000	$ 234,781	$ 1,174,781

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 163
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2025

Due During Fiscal Years Ending May 31	ANNUAL REQUIREMENTS FOR ALL SERIES Total Principal Due	Total Interest Due	Total Principal and Interest Due
2026	$ 450,000	$ 337,230	$ 787,230
2027	475,000	323,210	798,210
2028	495,000	309,914	804,914
2029	505,000	296,900	801,900
2030	520,000	283,144	803,144
2031	540,000	268,585	808,585
2032	565,000	253,206	818,206
2033	585,000	236,961	821,961
2034	610,000	219,758	829,758
2035	625,000	201,676	826,676
2036	655,000	182,663	837,663
2037	675,000	162,521	837,521
2038	705,000	141,288	846,288
2039	725,000	118,975	843,975
2040	755,000	95,698	850,698
2041	780,000	71,345	851,345
2042	815,000	45,885	860,885
2043	465,000	26,045	491,045
2044	255,000	16,318	271,318
2045	265,000	10,416	275,416
2046	275,000	4,287	279,287
2047	55,000	586	55,586
	$ 11,795,000	$ 3,606,611	$ 15,401,611

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 163
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED MAY 31, 2025

Description	Original Bonds Issued	Bonds Outstanding June 1, 2024
Fort Bend County Municipal Utility District No. 163 Unlimited Tax Bonds - Series 2016	$ 5,500,000	$ 4,705,000
Fort Bend County Municipal Utility District No. 163 Unlimited Tax Bonds - Series 2018	3,455,000	2,890,000
Fort Bend County Municipal Utility District No. 163 Unlimited Tax Bonds - Series 2020	1,710,000	1,605,000
Fort Bend County Municipal Utility District No. 163 Unlimited Tax Road Bonds - Series 2020A	2,200,000	2,065,000
Fort Bend County Municipal Utility District No. 163 Unlimited Tax Road Bonds - Series 2021	1,030,000	970,000
TOTAL	$ 13,895,000	$ 12,235,000

Bond Authority:	Utility Bonds	Road Bonds	Park Bonds
Amount Authorized by Voters	$ 93,000,000	$ 105,000,000	$ 18,000,000
Amount Issued	10,665,000	3,230,000	
Remaining to be Issued	$ 82,335,000 *	$ 101,770,000	$ 18,000,000

Debt Service Fund cash, investments and cash with paying agent balances as of May 31, 2025:	$ 1,345,186
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 700,073

See Note 3 for interest rate, interest payment dates and maturity dates.

* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

See accompanying independent auditor's report.

Current Year Transactions				
	Retirements		Bonds Outstanding	
Bonds Sold	Principal	Interest	May 31, 2025	Paying Agent
$	$ 180,000	$ 147,880	$ 4,525,000	Amegy Bank Houston, TX
	105,000	102,856	2,785,000	Amegy Bank Houston, TX
	55,000	34,737	1,550,000	Amegy Bank Houston, TX
	70,000	44,425	1,995,000	Amegy Bank Houston, TX
	30,000	21,225	940,000	Amegy Bank Houston, TX
$ - 0 -	$ 440,000	$ 351,123	$ 11,795,000	

See accompanying independent auditor’s report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 163
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2025	2024	2023
REVENUES			
Property Taxes	$ 374,360	$ 411,373	$ 372,311
Ditch Maintenance Revenues	18,673	21,065	16,056
Investment Revenues	102,087	90,617	49,799
TOTAL REVENUES	$ 495,120	$ 523,055	$ 438,166
EXPENDITURES			
Professional Fees	$ 66,140	$ 77,782	$ 114,725
Contracted Services	47,154	43,858	32,326
Repairs and Maintenance	48,148	23,629	26,058
Other	65,931	71,633	69,989
TOTAL EXPENDITURES	$ 227,373	$ 216,902	$ 243,098
NET CHANGE IN FUND BALANCE	$ 267,747	$ 306,153	$ 195,068
BEGINNING FUND BALANCE	2,000,268	1,694,115	1,499,047
ENDING FUND BALANCE	$ 2,268,015	$ 2,000,268	$ 1,694,115

See accompanying independent auditor's report.

2022	2021	2025	2024	2023	2022	2021
		Percentage of Total Revenue				
$ 309,516	$ 436,682	75.7 %	78.8 %	85.0 %	97.6 %	97.8 %
5,967	8,981	3.8	4.0	3.7	1.9	2.0
1,617	1,027	20.5	17.2	11.3	0.5	0.2
$ 317,100	$ 446,690	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 71,330	$ 71,720	13.4 %	14.9 %	26.2 %	22.5 %	16.1 %
11,920	9,860	9.5	8.4	7.4	3.8	2.2
18,549	26,052	9.7	4.5	5.9	5.8	5.8
18,323	22,806	13.3	13.7	16.0	5.8	5.1
$ 120,122	$ 130,438	45.9 %	41.5 %	55.5 %	37.9 %	29.2 %
$ 196,978	$ 316,252	54.1 %	58.5 %	44.5 %	62.1 %	70.8 %
1,302,069	985,817					
$ 1,499,047	$ 1,302,069					

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 163
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2025	2024	2023
REVENUES			
Property Taxes	$ 819,145	$ 834,146	$ 827,438
Penalty and Interest	9,321	12,916	5,450
Interest on Investments	51,395	48,966	29,914
TOTAL REVENUES	$ 879,861	$ 896,028	$ 862,802
EXPENDITURES			
Tax Collection Expenditures	$ 33,843	$ 31,479	$ 27,468
Debt Service Principal	440,000	430,000	405,000
Debt Service Interest and Fees	352,823	367,431	380,144
TOTAL EXPENDITURES	$ 826,666	$ 828,910	$ 812,612
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 53,195	$ 67,118	$ 50,190
TOTAL OTHER FINANCING SOURCES (USES)	$ - 0 -	$ - 0 -	$ - 0 -
NET CHANGE IN FUND BALANCE	$ 53,195	$ 67,118	$ 50,190
BEGINNING FUND BALANCE	1,291,158	1,224,040	1,173,850
ENDING FUND BALANCE	$ 1,344,353	$ 1,291,158	$ 1,224,040
TOTAL ACTIVE RETAIL WATER CONNECTIONS	N/A	N/A	N/A
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	N/A	N/A	N/A

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2022	2021	2025	2024	2023	2022	2021
$ 858,109	$ 653,612	93.2 %	93.2 %	96.0 %	99.2 %	98.5 %
6,187	9,628	1.1	1.4	0.6	0.7	1.4
1,286	799	5.7	5.4	3.4	0.1	0.1
$ 865,582	$ 664,039	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 25,901	$ 19,662	3.8 %	3.5 %	3.2 %	3.0 %	3.0 %
255,000	240,000	50.0	48.0	46.9	29.5	36.1
385,141	302,099	40.1	41.0	44.1	44.5	45.5
$ 666,042	$ 561,761	93.9 %	92.5 %	94.2 %	77.0 %	84.6 %
$ 199,540	$ 102,278	6.1 %	7.5 %	5.8 %	23.0 %	15.4 %
$ - 0 -	$ 76,837					
$ 199,540	$ 179,115					
974,310	795,195					
$ 1,173,850	$ 974,310					
N/A	N/A					
N/A	N/A					

See accompanying independent auditor’s report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 163
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MAY 31, 2025

District Mailing Address	-	Fort Bend County Municipal Utility District No. 163 c/o Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, TX 77027
District Telephone Number	-	(713) 860-6400

Board Members:	Term of Office (Elected or Appointed)	Fees of Office for the year ended May 31, 2025	Expense Reimbursements for the year ended May 31, 2025	Title
Richard Patrick	05/24 05/28 (Elected)	$ 7,200	$ 1.728	President
Jennifer Hundl	05/24 05/28 (Elected)	$ 6,851	$ 1,695	Vice President
Justin Ring	07/22 05/26 (Appointed)	$ 1,989	$ -0-	Secretary
Omar Cabello	08/22 05/26 (Appointed)	$ 7,200	$ 1,471	Assistant Vice President
Andy Zepeda	05/24 05/28 (Elected)	$ 3,536	$ 1,384	Assistant Secretary

Note: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's Developer or with any of the District's consultants.

Submission Date of most recent District Registration Form: May 23, 2024

The limit on Fees of Office that a Director may receive during a fiscal year is $7,200 as set by Board Resolution. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 163
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MAY 31, 2025

Consultants:	Date Hired	Fees for the year ended May 31, 2025		Title
Allen Boone Humphries Robinson LLP	08/10/07	$	47,695	General Counsel
McCall Gibson Swedlund Barfoot Ellis PLLC	06/27/13	$	14,750	Auditor
Municipal Accounts & Consulting, LP	08/25/22	$	49,125	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, LLP	02/26/15	$	2,920	Delinquent Tax Attorney
Pape-Dawson Consulting Engineers, LLC (formerly Costello, Inc.)	08/03/12	$	9,733	Engineer
Tax Tech, Inc.	10/25/12	$	18,521	Tax Assessor/ Collector
Mark Burton and Ghia Lewis	08/25/22	$	-0-	Investment Officer

See accompanying independent auditor's report