

OFFICIAL STATEMENT DATED APRIL 11, 2024

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND INTEREST ON 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 are NOT "qualified tax-exempt obligations" for financial institutions.

NEW ISSUE – Book-Entry-Only

S&P Global Ratings (BAM Insured)....."AA"
See "MUNICIPAL BOND INSURANCE" and "RATINGS" herein.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO.198

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

\$7,070,000
Unlimited Tax Bonds
Series 2024

\$7,490,000
Unlimited Tax Road Bonds
Series 2024A

Dated: May 1, 2024

Interest accrues from Date of Delivery

Due: September 1, as shown on the inside cover

The \$7,070,000 Fort Bend County Municipal Utility District No. 198 Unlimited Tax Bonds, Series 2024 (the "Utility Bonds") and the \$7,490,000 Fort Bend County Municipal Utility District No. 198 Unlimited Tax Road Bonds, Series 2024A (the "Road Bonds," and together with the Utility Bonds, the "Bonds") are obligations of Fort Bend County Municipal Utility District No. 198 (the "District") and are not obligations of the State of Texas ("Texas"); Fort Bend County, Texas (the "County"); the City of Fulshear, Texas (the "City"); or any political subdivision or entity other than the District. Neither the full faith and credit nor the taxing power of Texas; the County; the City; nor any entity other than the District is pledged to the payment of the principal of or the interest on the Bonds.

The Bonds are dated May 1, 2024, and mature on September 1 in the years and in the principal amounts shown on the inside cover page hereof. Interest on the Bonds accrues from the initial date of delivery (on or about May 9, 2024), with interest payable on September 1, 2024, and each March 1 and September 1 thereafter (each an "Interest Payment Date") until the earlier of stated maturity or prior redemption. Principal of the Bonds is payable to the registered owners of the Bonds (the "Registered Owners") at, initially, BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"), upon surrender of the Bonds for payment at the stated maturity or upon prior redemption. Unless otherwise agreed between the Paying Agent/Registrar and a Registered Owner, interest on the Bonds is dated as of the Interest Payment Date and payable to each Registered Owner, as shown on the records of the Paying Agent/Registrar on the close of business on the 15th day of the calendar month next preceding each Interest Payment Date. The Bonds will be issued only in fully registered form in the denomination of \$5,000 of principal amount, or any integral multiple thereof. The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, principal of and interest on the Bonds will be paid by the Paying Agent/Registrar directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as discussed under "THE BONDS – Book-Entry-Only System."

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

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



The Utility Bonds constitute the first series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing water, wastewater, and storm drainage facilities to serve the District (the "Utility System"). The Road Bonds constitute the first series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing road improvements to serve the District (the "Road System"). Voters in the District have authorized a total of \$206,030,500 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System, and for refunding such bonds, and \$68,445,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, and for refunding such bonds. Additionally, voters in the District have authorized a total of \$30,693,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District, and for refunding such bonds. Following the issuance of the Bonds, \$198,960,500 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System, and for refunding such bonds; \$60,955,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, and for refunding such bonds; and \$30,693,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District, and for refunding such bonds, will remain authorized and unissued.

The Bonds, when issued, will constitute valid and binding obligations of the District, payable from the proceeds of two (2) separate continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS – Source of Payment."

INVESTMENT IN THE BONDS IS SUBJECT TO CERTAIN RISK FACTORS AS DISCUSSED UNDER "RISK FACTORS."

The Bonds are offered subject to prior sale, when, as, and if issued by the District and accepted by the Initial Purchasers, subject to the approval of the Attorney General of Texas and Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about May 9, 2024.

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

\$7,070,000

UNLIMITED TAX BONDS, SERIES 2024

\$6,520,000 Serial Bonds

Maturity September 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 34685P (b)	Maturity September 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 34685P (b)
2026	\$ 155,000	6.250%	3.450%	AA3	2040 (c)	\$ 295,000	4.000%	4.130%	AQ8
2027	160,000	6.500%	3.400%	AB1	2041 (c)	305,000	4.000%	4.190%	AR6
2028	170,000	6.500%	3.350%	AC9	2042 (c)	320,000	4.000%	4.230%	AS4
2029	175,000	6.500%	3.350%	AD7	2043 (c)	335,000	4.000%	4.270%	AT2
2030	185,000	6.500%	3.400%	AE5	2044 (c)	355,000	4.000%	4.310%	AU9
2031	195,000	6.500%	3.450%	AF2	2045 (c)	370,000	4.125%	4.340%	AV7
2032 (c)	205,000	5.625%	3.500%	AG0	2046 (c)	390,000	4.125%	4.370%	AW5
2033 (c)	210,000	4.000%	3.550%	AH8	2047 (c)	405,000	4.125%	4.400%	AX3
2034 (c)	220,000	4.000%	3.600%	AJ4	2048 (c)	425,000	4.125%	4.420%	AY1
2035 (c)	235,000	4.000%	3.650%	AK1	2049 (c)	445,000	4.125%	4.440%	AZ8
2036 (c)	245,000	4.000%	3.750%	AL9	2050 (c)	465,000	4.125%	4.450%	BA2
2037 (c)	255,000	4.000%	3.850%	AM7					
***	***	***	***	***					

\$550,000 Term Bond

\$550,000 Term Bond Due September 1, 2039 (c)(d), Interest Rate: 4.000% (Price: \$100.000) (a), CUSIP No. 34685P AP0 (b)

\$7,490,000

UNLIMITED TAX ROAD BONDS, SERIES 2024A

\$6,910,000 Serial Bonds

Maturity September 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 34685P (b)	Maturity September 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 34685P (b)
2026	\$ 165,000	6.500%	3.450%	BB0	2040 (c)	\$ 310,000	4.000%	4.130%	BR5
2027	170,000	6.500%	3.400%	BC8	2041 (c)	325,000	4.000%	4.190%	BS3
2028	180,000	6.500%	3.350%	BD6	2042 (c)	340,000	4.000%	4.230%	BT1
2029	185,000	6.500%	3.350%	BE4	2043 (c)	360,000	4.000%	4.270%	BU8
2030	195,000	6.500%	3.400%	BF1	2044 (c)	375,000	4.000%	4.310%	BV6
2031	205,000	6.500%	3.450%	BG9	2045 (c)	395,000	4.125%	4.340%	BW4
2032 (c)	215,000	5.625%	3.500%	BH7	2046 (c)	410,000	4.125%	4.370%	BX2
2033 (c)	225,000	4.000%	3.550%	BJ3	2047 (c)	430,000	4.125%	4.400%	BY0
2034 (c)	235,000	4.000%	3.600%	BK0	2048 (c)	450,000	4.125%	4.420%	BZ7
2035 (c)	245,000	4.000%	3.650%	BL8	2049 (c)	470,000	4.125%	4.440%	CA1
2036 (c)	260,000	4.000%	3.750%	BM6	2050 (c)	495,000	4.125%	4.450%	CB9
2037 (c)	270,000	4.000%	3.850%	BN4					
***	***	***	***	***					

\$580,000 Term Bond

\$580,000 Term Bond Due September 1, 2039 (c)(d), Interest Rate: 4.000% (Price: \$100.000) (a), CUSIP No. 34685P BQ7 (b)

- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchasers. Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.
- (b) CUSIP numbers have been assigned to this issue by the CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association, and are included solely for the convenience of the owners of the Bonds.
- (c) The Bonds maturing on September 1, 2032, and thereafter shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2031, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS - Redemption of the Bonds - *Optional Redemption*."
- (d) Subject to mandatory sinking fund redemption by lot or other customary method of random selection on September 1 in the years and in the amounts set forth herein under "THE BONDS - Redemption of the Bonds - *Mandatory Redemption*."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

All of the summaries of the statutes, resolutions, orders, contracts, audits, and engineering and other related reports set forth herein are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are available from Bond Counsel upon payment of duplication costs, for further information.

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

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 here from, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under "MUNICIPAL BOND INSURANCE" and "APPENDIX B."

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 discussed herein since the date hereof. The District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and to the extent such information actually comes to its attention, the other matters discussed herein, until delivery of the Bonds to the Initial Purchasers and thereafter only as discussed under "OFFICIAL STATEMENT – Updating of Official Statement."

References to website 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 websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for any purpose.

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SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Utility Bonds, the District has accepted the bid resulting in the lowest net effective interest rate to the District, which was tendered by SAMCO Capital Markets Inc. (the "Utility Bond Initial Purchaser") to purchase the Utility Bonds bearing the interest rates shown on the inside cover page hereof under "PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES, INITIAL REOFFERING YIELDS, AND CUSIPS" at a price of 97.007405% of the par value thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 4.375089%, as calculated pursuant to Chapter 1204 of the Texas Government Code.

After requesting competitive bids for the Road Bonds, the District has accepted the bid resulting in the lowest net effective interest rate to the District, which was tendered by SAMCO Capital Markets Inc. (the "Road Bond Initial Purchaser," and together with the Utility Bond Initial Purchaser, the "Initial Purchasers") to purchase the Road Bonds bearing the interest rates shown on the inside cover page hereof under "PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES, INITIAL REOFFERING YIELDS, AND CUSIPS" at a price of 97.008733% of the par value thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 4.375085%, as calculated pursuant to Chapter 1204 of the Texas Government Code.

Prices and Marketability

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

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchasers on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker, dealer, or similar person or organization acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Initial Purchasers regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Initial Purchasers.

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Initial Purchasers 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 PURCHASERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

No registration statement relating to the Bonds has been filed with the SEC under the Securities Act of 1933, as amended, in reliance upon exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any other jurisdictions. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds should not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

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 for each series of the Bonds (each a "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit 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 municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

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

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

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects 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, 2023 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$500.0 million, \$230.7 million and \$269.3 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 pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at www.buildamerica.com/credit-profiles. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date

expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

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

RATINGS

The Bonds will receive an insured rating of "AA" from S&P solely in reliance upon the issuance of the Policy for each series of the Bonds. An explanation of the ratings of S&P may only be obtained from S&P. S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present, S&P assigns long-term debt ratings with symbols "AAA" (the highest rating) through "D" (the lowest rating). The ratings express only the view of S&P at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in its judgment, circumstances so warrant.

The District is not aware of any rating assigned to the Bonds other than the rating discussed above.

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OFFICIAL STATEMENT SUMMARY

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

THE BONDS

- Issuer Fort Bend County Municipal Utility District No. 198 (the "District"), a political subdivision of the State of Texas ("Texas"), is located in Fort Bend County, Texas (the "County"). See "THE DISTRICT."

- Issue The \$7,070,000 Fort Bend County Municipal Utility District No. 198 Unlimited Tax Bonds, Series 2024 (the "Utility Bonds") and the \$7,490,000 Fort Bend County Municipal Utility District No. 198 Unlimited Tax Road Bonds, Series 2024A (the "Road Bonds," and together with the Utility Bonds, the "Bonds") are dated May 1, 2024, and mature on September 1 in the years and in the principal amounts shown on the inside cover page hereof. Interest on the Bonds accrues from the initial date of delivery (on or about May 9, 2024), with interest payable on September 1, 2024, and each March 1 and September 1 thereafter until the earlier of stated maturity or prior redemption. See "THE BONDS."

- Redemption The Bonds maturing on September 1, 2032, and thereafter shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2031, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption of the Bonds – *Optional Redemption*."

The Bonds maturing on September 1, 2026, through September 1, 2037, both inclusive, and September 1, 2040, through September 1, 2050, both inclusive, are serial bonds. The Utility Bonds maturing on September 1, 2039, and the Road Bonds maturing on September 1, 2039 are term bonds which have mandatory redemption provisions set out herein under "THE BONDS – Redemption of the Bonds – *Mandatory Redemption*."

- Book-Entry-Only System The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the book-entry-only system discussed herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners of the Bonds. Principal of and interest on the Bonds will be payable by the office of the paying agent/registrar, initially BOKF, NA, Dallas, Texas, to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System."

- Authority for Issuance The Utility Bonds constitute the first series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing water, wastewater, and storm drainage facilities to serve the District (the "Utility System"). The Road Bonds constitute the first series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing road improvements to serve the District (the "Road System"). Voters in the District have authorized a total of \$206,030,500 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System, and for refunding such bonds, and \$68,445,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, and for refunding such bonds. Additionally, voters in the District have authorized a total of \$30,693,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District, and for refunding such bonds.

Following the issuance of the Bonds, \$198,960,500 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System, and for refunding such bonds; \$60,955,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, and for refunding such bonds; and \$30,693,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District, and for refunding such bonds, will remain authorized and unissued.

The Utility Bonds are issued pursuant to: an order of the Texas Commission on Environmental Quality (the "TCEQ"); the general laws of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended; Article XVI, Section 59, of the Texas Constitution; a resolution authorizing the issuance of the Utility Bonds adopted by the Board of Directors of the District (the "Board") on the date of the sale of the Utility Bonds (the "Utility System Bond Resolution"); and an election held in the District on November 6, 2018.

The Road Bonds are issued pursuant to: the general laws of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended; Article III, Section 52 of the Texas Constitution; a resolution authorizing the issuance of the Road Bonds adopted by the Board on the date of the sale of the Road Bonds (the "Road System Bond Resolution"); and an election held within the District on November 6, 2018. See "THE BONDS – Authority for Issuance" and "THE BONDS – Issuance of Additional Debt."

Source of Payment..... The Bonds of the respective series are payable from the proceeds of two (2) separate continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of Texas; the County; the City of Fulshear, Texas (the "City"); or any political subdivision or entity other than the District. The District is authorized to levy separate taxes to pay debt service on bonds issued for the Utility System (including bonds issued for parks and recreational facilities to serve the District) and to pay debt service on bonds issued for the Road System; both such taxes are unlimited as to rate or amount. See "THE BONDS – Source of Payment."

Short-Term Debt..... The District issued its \$3,425,000 Bond Anticipation Note, Series 2023 (the "BAN"), dated September 21, 2023. The BAN matures on September 19, 2024, and accrues interest at a rate of 5.25% per annum, calculated on the basis of actual days elapsed and a 365-day year. The District will use a portion of the proceeds from the sale of the Utility Bonds to redeem the BAN prior to its maturity. Proceeds from the BAN were used to reimburse the Developer (herein defined) for a portion of the improvements and related costs shown under "THE BONDS – Use and Distribution of the Utility Bonds Proceeds." See "THE BONDS – Short-Term Debt."

Use and Distribution of Utility Bond Proceeds..... Proceeds from the sale of the Utility Bonds will be used to pay off the BAN and to reimburse the Developer for the projects and related costs shown below. Additionally, proceeds from the sale of the Utility Bonds will be used to pay developer interest; BAN interest; eighteen (18) months of capitalized interest; redeem the \$3,425,000 Series 2023 BAN, and certain other costs associated with the issuance of the Utility Bonds. See "THE BONDS – Use and Distribution of Utility Bond Proceeds."

Use and Distribution of Road Bond Proceeds..... Proceeds from the sale of the Road Bonds will be used to reimburse the Developer for the projects and related costs shown under "THE BONDS – Use and Distribution of Road Bond Proceeds." Additionally, proceeds from the sale of the Road Bonds will be used to pay developer interest; eighteen (18) months of capitalized interest; and certain other costs associated with the issuance of the Road Bonds. See "THE BONDS – Use and Distribution of Road Bond Proceeds."

NOT Qualified Tax-Exempt Obligations.....	The Bonds are NOT “qualified tax-exempt obligations” for financial institutions.
Municipal Bond Insurance.....	Build America Mutual Assurance Company (“BAM”). See “MUNICIPAL BOND INSURANCE.”
Ratings	S&P Global Ratings (BAM Insured): “AA.” See “RATINGS.”
General and Bond Counsel	Allen Boone Humphries Robinson LLP, Houston, Texas.
Disclosure Counsel.....	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
Financial Advisor.....	Robert W. Baird & Co. Incorporated, Houston, Texas.
Engineer	BGE, Inc., Houston, Texas.
Paying Agent/Registrar	BOKF, NA, Dallas, Texas.

THE DISTRICT

Description.....	<p>The District is a political subdivision of Texas, located approximately 50 miles west of the central business district of Houston and 3 miles from the City of Fulshear, Texas (the “City “). The District is bounded on the west by Jordan Road and FM 359 and is entirely within the boundaries of Fort Bend County. The District is a municipal utility district created by an order of the TCEQ. The District operates in accordance with Section 52, Article III, and Section 59, Article XVI of the Texas Constitution, and Chapters 49 and 54 of the Texas Water Code, as amended. The District consists of approximately 471.3734 acres. There have been no annexations or exclusions since the creation of the District. The District lies wholly within the extraterritorial jurisdiction of the City. See “THE DISTRICT.”</p> <p>The District, Fort Bend County Municipal Utility District No. 214 (“FBMUD 214”), and Fort Bend County Municipal Utility District No. 195 (“FBMUD 195”) are collectively referred to herein as the “Participants,” and collectively comprise of the area referred to herein as the “Service Area,” which includes Cross Creek West (herein defined) and consists of approximately 1,326-acres. See “THE DISTRICT.”</p>
Cross Creek West.....	The District is one of a total of three municipal utility districts included in the approximately 1,298.8-acre master-planned community known as Cross Creek West (“Cross Creek West”). The District, FBMUD 214 and FBMUD 195 are served by Fort Bend County Municipal Utility District No. 214 (the “Master District”). The Master District serves as a regional provider of the Master District Facilities (defined herein), to the Participants. The District consists of approximately 471.3734 total acres, FBMUD 195 consists of approximately 624 total acres (including approximately 137 acres known as Summerview, not located within Cross Creek West), and FBMUD 214 consists of approximately 291 total acres.
Development.....	The District is being developed as the residential community known as Cross Creek West. To date, approximately 167.89 acres within the District have been developed as 676 single-family lots in the following single-family residential subdivisions: Cross Creek West Sections 1-7 and 9. As of March 11, 2024, development in the District consisted of 327 completed homes (283 occupied, 36 unoccupied, and 8 models); 45 homes under construction; and 304 vacant developed lots. The remainder of land in the District consists of approximately 158.89 undeveloped but developable acres, and approximately 144.59 undevelopable acres. See “DEVELOPMENT OF THE DISTRICT.”
Developer.....	CCR West, Inc., a Texas Corporation (the “Developer”), is the developer of land in the District. The Developer is an affiliate of Johnson Development Corp. (“JDC”). JDC is a developer of residential and commercial properties across the country, and, since its establishment in 1975, has been involved in more than 100 projects resulting in the development of more than 40,000 acres devoted to multiple-use commercial parks; office buildings; retail

centers; championship golf courses; and residential communities. In Texas, JDC is responsible for the development of several master-planned communities, including: Sienna, Cross Creek Ranch, Imperial, Jordan Ranch; Riverstone; Harvest Green; Fall Creek; Tuscan Lakes; Edgewater; Woodforest; Harmony; Grand Central Park; Willow Creek Farms; Trinity Falls; and Viridian. See "THE DEVELOPER."

Active Homebuilders Homebuilders active in the District include: Westin Homes; Perry Homes; Highland Homes; Lennar; and Newmark. Prices of new homes being constructed in the District range from \$371,000 to \$731,000.

Master District Facilities The Master District, in its capacity as the provider of regional water, wastewater, drainage facilities (the "Master District System Facilities"); regional arterial, collector, and thoroughfare roads and improvements in aid thereof (the "Master District Road Facilities"); park and recreational facilities; and firefighting facilities necessary to serve the Service Area, which includes the District (collectively referred to herein as the "Master District Facilities"), constructs the Master District Facilities and provides services from those Master District Facilities. Each Participant, including the District, is obligated severally, but not jointly, to make contract payments to the Master District in an amount sufficient to pay its debt service requirements on contract revenue bonds issued by the Master District. The Master District intends to issue its first issue of \$6,130,000 principal amount of contract revenue bonds for Master District System Facilities and \$6,585,000 principal amount of contract revenue bonds for Master District Road Facilities in May 2024. At the delivery of the Bonds, the Master District will have \$12,715,000 principal amount of contract revenue bonds outstanding (exclusive of the anticipated bond issues). See "MASTER DISTRICT CONTRACT."

RISK FACTORS

THE BONDS ARE SUBJECT TO CERTAIN RISK FACTORS. PROSPECTIVE PURCHASERS SHOULD REVIEW THIS ENTIRE OFFICIAL STATEMENT BEFORE MAKING AN INVESTMENT DECISION, PARTICULARLY "RISK FACTORS."

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**SELECTED FINANCIAL INFORMATION
(UNAUDITED)**

2023 Assessed Taxable Valuation	\$ 59,975,454	(a)
Estimated Assessed Taxable Valuation as of January 1, 2024.....	\$ 170,393,627	(b)
Direct Debt:		
The Utility Bonds	\$ 7,070,000	
The Road Bonds.....	<u>\$ 7,490,000</u>	
Total	\$ 14,560,000	
Estimated Overlapping Debt.....	<u>\$ 14,689,406</u>	(c)
Total Direct and Estimated Overlapping Debt	\$ 29,249,406	(c)
Direct Debt Ratios:		
As a Percentage of the 2023 Assessed Taxable Valuation	24.28	%
As a Percentage of the Estimated Assessed Taxable Valuation as of January 1, 2024	8.54	%
Direct and Estimated Overlapping Debt Ratios:		
As a Percentage of the 2023 Assessed Taxable Valuation	48.77	%
As a Percentage of the Estimated Assessed Taxable Valuation as of January 1, 2024	17.17	%
Utility System Debt Service Fund Balance (as of the Date of Delivery).....	\$ 472,303	(d)
Road System Debt Service Fund Balance (as of the Date of Delivery).....	\$ 500,859	(e)
General Fund Balance (as of March 14, 2024).....	\$ 659,400	
2023 Tax Rate per \$100 of Assessed Taxable Valuation:		
Utility System Debt Service	\$ 0.000	
Road System Debt Service	\$ 0.000	
Maintenance and Operation.....	<u>\$ 1.500</u>	
Total	\$ 1.500	
Average Annual Debt Service Requirements (2024–2050)	\$ 916,242	(f)
Maximum Annual Debt Service Requirements (2050).....	\$ 999,600	(f)
Debt Service Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay the Average Annual Debt Service Requirements on the Bonds (2024–2050) at 95% Tax Collections:		
Based on the 2023 Assessed Taxable Valuation.....	\$ 1.61	
Based on the Estimated Assessed Taxable Valuation as of January 1, 2024	\$ 0.57	
Debt Service Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay the Maximum Annual Debt Service Requirements on the Bonds (2050) at 95% Tax Collections:		
Based on the 2023 Assessed Taxable Valuation.....	\$ 1.76	
Based on the Estimated Assessed Taxable Valuation as of January 1, 2024	\$ 0.62	
Single-Family Homes (including 45 under construction and 8 model homes) as of March 11, 2024.....	372	

-
- (a) Represents the assessed valuation of all taxable property within the District as of January 1, 2023, as provided by the Fort Bend Central Appraisal District (the "Appraisal District"). See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only, this amount represents an estimate of all taxable property within the District as of January 1, 2024, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2023, through January 1, 2024. No taxes will be levied against this amount. See "TAX DATA" and "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement."
- (d) Represents eighteen (18) months of capitalized interest. At the delivery of the Utility Bonds, eighteen (18) months of capitalized interest will be deposited into this fund. Neither Texas law nor the Utility System Bond Resolution requires that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued for the Road System, including the Road Bonds.
- (e) Represents eighteen (18) months of capitalized interest. At the delivery of the Road Bonds, eighteen (18) months of capitalized interest will be deposited into this fund. Neither Texas law nor the Road System Bond Resolution requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued for the Utility System, including the Utility Bonds.
- (f) Requirement of debt service on the Utility Bonds and the Road Bonds. See "DISTRICT DEBT – Debt Service Requirement Schedule."

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 198

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

\$7,070,000
Unlimited Tax Bonds
Series 2024

\$7,490,000
Unlimited Tax Road Bonds
Series 2024A

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Fort Bend County Municipal Utility District No. 198 (the "District") of the \$7,070,000 Fort Bend County Municipal Utility District No. 198 Unlimited Tax Bonds, Series 2024 (the "Utility Bonds") and the \$7,490,000 Fort Bend County Municipal Utility District No. 198 Unlimited Tax Road Bonds, Series 2024A (the "Road Bonds," and together with the Utility Bonds, the "Bonds").

The Utility Bonds are issued pursuant to: an order of the Texas Commission on Environmental Quality (the "TCEQ"); the general laws of the State of Texas ("Texas"), including Chapters 49 and 54 of the Texas Water Code, as amended; Article XVI, Section 59, of the Texas Constitution; a resolution authorizing the issuance of the Utility Bonds adopted by the Board of Directors of the District (the "Board") on the date of the sale of the Utility Bonds (the "Utility System Bond Resolution"); and an election held in the District on November 6, 2018.

The Road Bonds are issued pursuant to: the general laws of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended; Article III, Section 52 of the Texas Constitution; a resolution authorizing the issuance of the Road Bonds adopted by the Board on the date of the sale of the Road Bonds (the "Road System Bond Resolution," and together with the Utility System Bond Resolution, the "Bond Resolutions"); and an election held within the District on November 6, 2018.

There follows herein descriptions of the Bonds, the Developer (herein defined), the Bond Resolutions, and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Bond Counsel (herein defined) at 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027, upon payment of the costs of duplication thereof. Certain capitalized terms used herein have the same meanings assigned to such terms in the Bond Resolutions, except as otherwise indicated herein.

RISK FACTORS

General

The Bonds are obligations of the District and are not obligations of the State of Texas ("Texas"); Fort Bend County, Texas (the "County"); the City of Fulshear, Texas (the "City"); or any political subdivision or entity other than the District. The Bonds are payable from the proceeds of two (2) separate continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property within the District. Therefore, the ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below.

Factors Affecting Taxable Values and Tax Payments

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

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

Dependence on Principal Taxpayers: The ability of any principal landowner to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its

debt service obligations. As illustrated under “TAX DATA – Principal Taxpayers,” the District’s principal taxpayers in 2023 owned property in the District aggregating approximately 40.77% of the 2023 assessed taxable valuation. The Developer represents 2.02% of such amount. In the event that the Developer, any homebuilders within the District, any other taxpayer, or any combination of taxpayers, should default in the payment of taxes in an amount which exceeds the District’s debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax liens, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate. The District is not required by law or the Bond Resolutions to maintain any specified amount of surplus in its interest and sinking fund. See “TAX DATA – Principal Taxpayers” and “TAXING PROCEDURES – Levy and Collection of Taxes.”

Maximum Impact on District Tax Rates: Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2023 assessed taxable valuation of all taxable property in the District is \$59,975,454 and the estimated assessed taxable valuation as of January 1, 2024, of all taxable property in the District is \$170,393,627. After issuance of the Bonds, the maximum annual debt service requirement on the Bonds will be \$999,600 (2050) and the average annual debt service requirement on the Bonds will be \$916,242 (2024–2050). Assuming no increase to nor decrease from the 2023 assessed taxable valuation, tax rates of \$1.76 and \$1.61 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. Assuming no increase to nor decrease from the estimated assessed taxable valuation as of January 1, 2024, tax rates of \$0.62 and \$0.57 per \$100 of assessed valuation at 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively.

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners. See “TAX DATA – Tax Rate Distribution.”

Increases in the District's tax rate to rates materially higher than the levels currently being levied by the District may have an adverse impact upon future development of the District, and the ability of the District to collect, and the willingness of owners of property within the District to pay ad valorem taxes levied by the District. See “TAX DATA – Estimated Overlapping Taxes.”

Vacant Developed Lots

As of March 11, 2024, approximately 304 developed lots within the District remained available for construction. Failure of the Developer and/or builders to construct taxable improvements on developed lots could result in substantial increases in the rate of taxation by the District during the term of the Bonds to pay debt service on the Bonds and any other tax supported debt of the District issued in the future. Future increases in value will result primarily from the construction of homes by builders. The District makes no representation that the lot sales and building program will be successful.

Special Flood Type Risks

The District may be subject to the following flood risks:

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

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

Extreme Weather Events

The greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four (4) days.

If a future weather event significantly damaged all or part of the improvements within the District, the assessed valuation of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or

necessitate an increase in the District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed valuations in the District could be adversely affected. See "RISK FACTORS – Factors Affecting Taxable Values and Tax Payments – *Maximum Impact on District Tax Rates*," "TAXING PROCEDURES – Property Tax Code and County-Wide Appraisal District," and "TAXING PROCEDURES – Valuation of Property for Taxation."

Potential Effects of Oil Price Fluctuations on the Houston Area

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

Competitive Nature of Residential Housing Market

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

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures; (b) a bankruptcy court's stay of tax collection procedures against a taxpayer; (c) market conditions limiting the proceeds from a foreclosure sale of taxable property; or (d) the taxpayer's right to redeem the property within six (6) months for commercial property and two (2) years for residential and all other property after the purchaser's deed issued at the foreclosure sale is filed in the county records. 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. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes 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 (2) other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six (6) 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 "TAXING PROCEDURES – District and Taxpayer Remedies."

Registered Owners' Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds, the registered owners of the Bonds (the "Registered Owners") have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. 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 provision for acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Registered Owners further may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the District to seek judicial foreclosure of its tax lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See "THE BONDS – Registered Owners' Remedies."

Marketability

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

Future Debt

The Utility Bonds constitute the first series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing water, wastewater, and storm drainage facilities to serve the District (the "Utility System"). The Road Bonds constitute the first series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing road improvements to serve the District (the "Road System"). Voters in the District have authorized a total of \$206,030,500 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System, and for refunding such bonds, and \$68,445,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, and for refunding such bonds. Additionally, voters in the District have authorized a total of \$30,693,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District, and for refunding such bonds.

Following the issuance of the Bonds, \$198,960,500 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System, and for refunding such bonds; \$60,955,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, and for refunding such bonds; and \$30,693,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District, and for refunding such bonds, will remain authorized and unissued

The District also has the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Resolutions. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

The Master District (defined herein) intends to issue its first issue of \$6,130,000 principal amount of contract revenue bonds for Master District System Facilities (defined herein) and \$6,585,000 principal amount of contract revenue bonds for Master District Road Facilities (defined herein) in May 2024. At the delivery of the Bonds, the Master District will have \$12,715,000 principal amount of contract revenue bonds outstanding (exclusive of the anticipated bond issues).

Issuance of the remaining authorized \$198,960,500 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System, as well as the remaining authorized \$30,693,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District, is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. The principal amount of park bonds sold by the District is limited to 1% of the District's assessed valuation, however, if the District meets certain financial feasibility requirements under TCEQ rules, the outstanding principal amount of such bonds issued by the District may exceed an amount equal to 1% but not greater than 3% of the value of the taxable property in the District.

Following the issuance of the Bonds, the District will owe the Developer approximately \$18,800,000 for reimbursable expenditures advanced to develop land in the District. See "THE BONDS – Issuance of Additional Debt."

Continuing Compliance with Certain Covenants

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

Environmental Regulations

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

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

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

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the 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 two separate federal ozone standards: the eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the “2008 Ozone Standard”), and the EPA’s most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the “2015 Ozone Standard”). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remains subject to CAA nonattainment requirements.

The HGB Area is currently designated as a “severe” nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2027. If the EPA ultimately determines that the HGB Area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

The HGB Area is currently designated as a “moderate” nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2024. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

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

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

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

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

Texas Pollutant Discharge Elimination System (“TPDES”) permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000) (“CGP”), with an effective date of March 5, 2023, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater discharges into surface water in the state. The CGP has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards.

Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district's ability to obtain and maintain compliance with TPDES permits.

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

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

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

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

Changes in Tax Legislation

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

Approval of the Bonds

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas does not pass upon or guarantee the security of the Bonds as an investment, nor does he pass upon the adequacy or accuracy of the information contained herein.

Bond Insurance Risk Factors

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable bond insurance policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absence such prepayment by the District unless the bond insurer chooses to pay such amounts at an earlier date.

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

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

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

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

Neither the District or the Initial Purchasers have made independent investigation into the claims paying ability of the bond insurer and no assurance or representation regarding the financial strength or projected financial strength of the bond insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal of and interest on the Bonds and the claims paying ability of the bond insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE" for further information provided by the bond insurer and the Policy, which includes further instructions for obtaining current financial information concerning the bond insurer.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which is qualified in its entirety by reference to the Bond Resolutions adopted by the Board. Copies of the Bond Resolutions may be obtained from the District upon written request made to Bond Counsel.

The Bonds are dated May 1, 2024, and mature on September 1 in the years and in the principal amounts shown on the inside cover page hereof. Interest on the Bonds accrues from the initial date of delivery (on or about May 9, 2024), with interest payable on September 1, 2024, and each March 1 and September 1 thereafter (each an "Interest Payment Date") until the earlier of stated maturity or prior redemption. Principal of the Bonds is payable to the Registered Owners (herein defined) at the principal office of, initially, BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"), upon surrender of the Bonds for payment at the stated maturity or upon prior redemption. Unless otherwise agreed between the Paying Agent/Registrar and a Registered Owner, interest on the Bonds is dated as of the Interest Payment Date and payable to each Registered Owner, as shown on the records of the Paying Agent/Registrar on the close of business on the 15th day of the calendar month next preceding each Interest Payment Date (the "Record Date"). The Bonds will be issued only in fully registered form in the denomination of \$5,000 of principal amount, or any integral multiple thereof.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York ("DTC"), while the Bonds are registered in its nominee name. The information in this section concerning DTC and the book-entry-only system (the "Book-Entry-Only System") has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor (herein defined) believe the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The District and the Financial Advisor cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to Direct and Indirect Participants (herein defined), (2) Direct and Indirect Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Registered Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner discussed herein. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission (the "SEC"), and the current procedures of DTC to be followed in dealing with Direct and Indirect Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be required by an authorized representative of DTC. One (1) fully-registered Bond certificate will be issued for each maturity of each series 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants (the "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 (the “Indirect Participants,” and together with the Direct Participants, the “Direct and Indirect Participants”). DTC has a rating of AA+ from S&P Global Ratings. The DTC rules applicable to its Direct and Indirect Participants are on file with the SEC. 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 holder of ownership interest of each actual purchase of each Bond (the “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-Only System 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.

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

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

Redemption proceeds, principal, and interest 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 Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, Paying Agent/Registrar or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest payments 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 Book-Entry-Only System transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in the section concerning DTC and the Book-Entry-Only System has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the book-entry form, references in other sections herein to Registered Owners should be read to include the person for which the Direct and Indirect Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to Registered Owners under the Bond Resolutions will be given only to DTC.

Successor Paying Agent/Registrar

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

Registration, Transfer, and Exchange

In the event the Book-Entry-Only system is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the principal payment office of the Paying Agent/Registrar. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. At any time after the date of initial delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. The Bonds are exchangeable upon presentation at the designated offices of the Paying Agent/Registrar, for an equal principal amount of Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner within not more than three (3) business days after the receipt by the Paying Agent/Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of \$5,000 in principal amount for a Bond, or any integral multiple thereof for any one (1) maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning 15 calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within 30 calendar days. No service charge will be made for any transfer or exchange, but the District or Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Redemption of the Bonds

Optional Redemption

The Bonds maturing on September 1, 2032, and thereafter shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2031, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given by the Paying Agent/Registrar at least 30 days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are redeemed at any time, the series and maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain series and maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such random method as the Paying Agent/Registrar deems fair and appropriate in integral multiples of \$5,000 within any one (1) maturity. The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Mandatory Redemption

The Utility Bond maturing on September 1 in the year 2039 is a term bond (the "Utility Term Bond") and shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Mandatory Redemption Date"), and in the principal amount set forth in the following schedule:

\$550,000 Utility Term Bond Maturing on September 1, 2039

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2038	\$ 270,000
September 1, 2039 (Maturity)	\$ 280,000

The Road Bond maturing on September 1 in the year 2039 is a term bond (the “Road Term Bond,” and together with the Utility Term Bond, the “Term Bonds”) and shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the Mandatory Redemption Date, and in the principal amount set forth in the following schedule:

<u>\$580,000 Road Term Bond Maturing on September 1, 2039</u>	
<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2038	\$ 285,000
September 1, 2039 (Maturity)	\$ 295,000

On or before 30 days prior to each Mandatory Redemption Date set forth above, the Paying Agent/Registrar shall (i) determine the principal amount of such Term 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 the Term Bonds to be mandatorily redeemed on such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the District to the Paying Agent/Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

Mutilated, Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, the District has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds, on receipt of satisfactory evidence of such destruction, loss, or theft, and receipt by the District and the Paying Agent/Registrar of security or indemnity to hold them harmless. Upon the issuance of a new bond the District may require payment of taxes, governmental charges and other expenses (including the fees and expenses of the Paying Agent/Registrar), bond printing and legal fees in connection with any such replacement.

Authority for Issuance

The Utility Bonds are issued pursuant to: an order of the TCEQ; the general laws of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended; Article XVI, Section 59, of the Texas Constitution; the Utility System Bond Resolution; and an election held in the District on November 6, 2018.

The Road Bonds are issued pursuant to: the general laws of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended; Article III, Section 52 of the Texas Constitution; the Road System Bond Resolution; and an election held within the District on November 6, 2018.

Before the Bonds are 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 herein.

Issuance of Additional Debt

The District may issue additional bonds necessary to provide improvements and facilities consistent with the purposes for which the District was created. The Utility Bonds constitute the first series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing the Utility System and the Road Bonds constitute the first series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing the Road System. Voters in the District have authorized a total of \$206,030,500 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System, and for refunding such bonds, and \$68,445,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, and for refunding such bonds. Additionally, voters in the District have authorized a total of \$30,693,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District, and for refunding such bonds. Following the issuance of the Bonds, \$198,960,500 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System, and for refunding such bonds; \$60,955,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, and for refunding such bonds; and \$30,693,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District, and for refunding such bonds, will remain authorized and unissued. The Bond Resolutions impose no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District’s voters and, in the case of bonds issued by the District for the Utility System (including bonds issued for parks and recreational facilities to serve the District), such as the Utility Bonds, approved by the TCEQ). The District’s issuance of bonds for the Road System, such as the Road Bonds, is not subject to approval by the TCEQ.

The District is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a)

authorization of a detailed fire protection plan; (b) approval of the fire plan by the TCEQ; (c) approval of the fire plan by the voters of the District; and (d) approval of bonds, if any, by the Attorney General of Texas. The Board has not considered adoption of a fire plan or calling an election at this time for such purposes. If additional debt obligations are issued in the future by the District, such issuance may increase gross debt-property ratios and might adversely affect the investment security of the Bonds.

The District is authorized by statute to develop parks and recreational facilities, including the issuance of bonds payable from taxes for such purpose. The principal amount of park bonds sold by the District is limited to 1% of the District's assessed valuation, however, if the District meets certain financial feasibility requirements under TCEQ rules, the outstanding principal amount of such bonds issued by the District may exceed an amount equal to 1% but not greater than 3% of the value of the taxable property in the District. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas.

Based on present engineering cost estimates and on development plans supplied by the Developer, in the opinion of the Engineer (herein defined), following the issuance of the Bonds, the District will have adequate authorized but unissued bonds to repay the Developer for the remaining amounts owed for the existing utility facilities, and to finance the extension of water, wastewater, and storm drainage facilities and services to serve the remaining undeveloped land and road improvements in the District. See "DEVELOPMENT OF THE DISTRICT," "THE UTILITY SYSTEM," and "RISK FACTORS – Future Debt."

Source of Payment

The Bonds are payable from the proceeds of two (2) separate continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property within the District. In the Bond Resolutions, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Paying Agent/Registrar fees and the Fort Bend Central Appraisal District (the "Appraisal District") fees. Tax proceeds, after deduction for collection costs, will be placed into the applicable debt service fund and used solely to pay principal of and interest on the Bonds, and additional bonds payable from taxes which may be issued, and Paying Agent/Registrar fees.

Bonds issued for the Utility System and the Road System are each supported by the proceeds of a separate unlimited tax levied annually by the District. Amounts on deposit in the Utility System debt service fund may not be used to pay debt service on bonds issued by the District for the Road System, including the Road Bonds. Amounts on deposit in the Road System debt service fund may not be used to pay debt service on the bonds issued by the District for the Utility System, including the Utility Bonds.

The Bonds are obligations solely of the District and are not the obligations of Texas; Fort Bend County, Texas (the "County"); the City of Fulshear, Texas (the "City"); or any political subdivision or entity other than the District.

Funds

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

Proceeds of sale of the Utility Bonds shall be deposited into the Utility Capital Projects Fund, to be used for the purpose of funding certain construction costs and for paying the costs of issuance of the Bonds. Any monies remaining in the Utility Capital Projects Fund will be used as described in the Utility System Bond Resolution or ultimately transferred to the Utility System Debt Service Fund. See "USE AND DISTRIBUTION OF UTILITY BOND PROCEEDS" for a complete description of the use of Utility Bond proceeds and the projects related thereto.

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

Proceeds of sale of the Road Bonds shall be deposited into the Road Capital Projects Fund, to be used for the purpose of funding certain construction costs and for paying the costs of issuance of the Road Bonds. Any monies remaining in the Road Capital Projects Fund will be used as described in the Road System Bond Resolution or ultimately transferred to the Road System Debt Service Fund. See "USE AND DISTRIBUTION OF ROAD BOND PROCEEDS" for a complete description of the use of Road Bond proceeds and the projects related thereto.

Short-Term Debt

The District issued its \$3,425,000 Bond Anticipation Note, Series 2023 (the "BAN"), dated September 21, 2023. The BAN matures on September 19, 2024, and accrues interest at a rate of 5.25% per annum, calculated on the basis of actual days elapsed and a 365-day year. The District will use a portion of the proceeds from the sale of the Utility Bonds to redeem the

BAN prior to its maturity. Proceeds from the BAN were used to reimburse the Developer for a portion of the improvements and related costs shown under "THE BONDS – Use and Distribution of the Utility Bonds Proceeds."

Annexation

Under existing Texas law, since the District lies wholly in the extraterritorial jurisdiction of the City, the District must conform to a City consent ordinance. Generally, the District may be annexed by the City without the District's consent, and the City cannot annex territory in 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% of the land in the area, a petition has been signed by more than 50% 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 ("SPA") between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District. The District does not currently have an SPA with the City.

If the District is annexed, the City will assume the District's assets and obligations (including the Bonds) and dissolve the District. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation that the City will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur. Pursuant to the DA (defined herein), the District cannot be annexed until 90% of the land has been developed and the Developer is reimbursed 90% of their costs. See "DEVELOPER AGREEMENT" herein.

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

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 the 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 Texas a sum of money equal to principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct non-callable obligations of the United States, (b) non-callable 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) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

Upon such deposit as described above, such Bonds shall no longer be regarded as outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending

the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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

Legal Investment and Eligibility to Secure Public Funds in Texas

The following is 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 un-matured interest coupons attached to them.”

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

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

Registered Owners’ Remedies

Pursuant to Texas law, the Bond Resolutions provide that, in the event the District defaults in the payment of principal of or interest on any of the Bonds when due, fails to make payments required by the Bond Resolutions into the applicable debt service fund, or defaults in the observance or performance of any of the other covenants, conditions, or obligations set forth in the Bond Resolutions, any Registered Owner shall be entitled to seek a writ of mandamus from a court of competent jurisdiction compelling and requiring the District to make such payments or to observe and perform such covenants, obligations, or conditions. Such right is in addition to other rights the Registered Owners may be provided by the laws of Texas.

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the District to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Resolutions do not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District’s property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further limited by laws and principles relating to sovereign immunity, bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners.

Use and Distribution of Utility Bond Proceeds

Proceeds from the sale of the Utility Bonds will be used to pay off the BAN and to reimburse the Developer for the projects and related costs shown below. Additionally, proceeds from the sale of the Utility Bonds will be used to pay developer interest; BAN interest; eighteen (18) months of capitalized interest; redeem the \$3,425,000 Series 2023 BAN, and certain other costs associated with the issuance of the Utility Bonds, as shown below.

Non-construction costs are based upon either contract amounts or various cost estimates by the Engineer and the Financial Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Utility Bonds and completion of agreed-upon procedures by the Auditor (herein defined). Totals may not sum due to rounding.

CONSTRUCTION COSTS	District's Share
A. Developer Contribution Items	
1. Cross Creek West Section 2 – W, WW, & D	\$ 1,596,611
2. Cross Creek West Section 3 – W, WW, & D	918,393
3. Cross Creek West Section 4 – W, WW, & D	1,347,677
4. Engineering & Testing	538,927
5. Storm Water Pollution Prevention	<u>91,381</u>
Total Developer Items	\$ 4,492,989
B. District Items – None	
TOTAL CONSTRUCTION COSTS	<u>\$ 4,492,989</u>
NON-CONSTRUCTION COSTS	
A. Legal Fees	\$ 181,400
B. Fiscal Agent Fees	141,400
C. Interest Costs	
1. Capitalized Interest	472,303
2. Developer Interest	656,761
3. BAN Interest	113,799
D. Bond Discount	211,576
E. Bond Issuance Expenses	42,923
F. BAN Issuance Expenses	90,920
G. District Creation Expenses	25,340
H. Operating Advances	318,992
I. Market Study	9,880
J. Bond Application Report	65,000
K. Attorney General Fee (0.10%)	7,070
L. TCEQ Bond Issuance Fee (0.25%)	17,675
M. Contingency (a)	<u>221,970</u>
TOTAL NON-CONSTRUCTION COSTS	<u>\$ 2,577,011</u>
TOTAL BOND ISSUE REQUIREMENT	<u>\$ 7,070,000</u>

(a) Represents the difference between the estimated and actual amount of Bond Discount, Capitalized Interest and BAN Interest.

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved by the TCEQ. The Engineer has advised the District that proceeds of the sale of the Utility Bonds should be sufficient to pay the costs of the above-described facilities. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

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Use and Distribution of Road Bond Proceeds

Proceeds from the sale of the Road Bonds will be used to reimburse the Developer for the projects and related costs shown below. Additionally, proceeds from the sale of the Road Bonds will be used to pay developer interest; eighteen (18) months of capitalized interest; and certain other costs associated with the issuance of the Road Bonds, as shown below.

Non-construction costs are based upon either contract amounts or various cost estimates by the Engineer and the Financial Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Road Bonds and completion of agreed-upon procedures by the Auditor. Totals may not sum due to rounding.

CONSTRUCTION COSTS	<u>District's Share</u>
A. Construction Costs	
1. Cross Creek West Section 1 & Offsite Utilities Reinforced Concrete	\$ 254,226
2. Cross Creek West Section 2	873,542
3. Cross Creek West Section 3	762,613
4. Cross Creek West Section 4	1,115,025
5. Cross Creek West Section 5	820,965
6. Cross Creek West Section 6	291,893
7. Engineering	581,189
8. Geotechnical Report	25,531
9. Materials Testing	107,093
10. SWPPP Management	3,146
11. Land Acquisition for Road Right-of-Way	<u>958,315</u>
TOTAL CONSTRUCTION COSTS	<u>\$ 5,793,538</u>
NON-CONSTRUCTION COSTS	
A. Legal Fees	\$ 189,800
B. Fiscal Agent Fees	149,800
C. Interest	
1. Capitalized Interest	500,859
2. Developer Interest	505,272
D. Bond Discount	224,046
E. Bond Issuance Expenses	40,737
F. Engineering Report Costs	45,000
G. Attorney General Fee (\$9,500 Max.)	7,490
H. Contingency (a)	<u>33,458</u>
TOTAL NON-CONSTRUCTION COSTS	<u>\$ 1,696,462</u>
TOTAL BOND ISSUE REQUIREMENT	<u>\$ 7,490,000</u>

(a) Represents the difference between the estimated and actual amount of Bond Discount and Capitalized Interest.

The Engineer has advised the District that the proceeds of the sale of the Road Bonds should be sufficient to pay the costs of the above-described facilities; however, the District cannot and does not guarantee the sufficiency of such funds for such purposes. In the instance that approved estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for approved uses. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

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THE DISTRICT

Authority

The District is a municipal utility district and was organized, created and established pursuant to an order of the TCEQ dated January 28, 2009. The District operates in accordance with Section 52, Article III and Section 59, Article XVI of the Texas Constitution, and Chapters 49 and 54 of the Texas Water Code, as amended.

The District is empowered, among other things, to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water and the construction of roads and related facilities.

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

The TCEQ exercises continuing supervisory jurisdiction over the District and the construction and operation of the District's Utility System is subject to the regulatory jurisdiction of additional governmental agencies. See "THE UTILITY SYSTEM – Regulation."

Description

The District is a political subdivision of Texas, located approximately 50 miles west of the central business district of Houston and 3 miles from the City of Fulshear. The District is bounded on the west by Jordan Road and FM 359 and is entirely within the boundaries of Fort Bend County. The District consists of approximately 471.3734 acres. There have been no annexations or exclusions since the creation of the District. The District lies wholly within the extraterritorial jurisdiction of the City.

Management of the District

The District is governed by the Board, consisting of five (5) directors, who have control over and management supervision of all affairs of the District. All of the directors own property in the District. The directors serve staggered, four (4)-year terms. Elections are held in even-numbered years in May. The current members and officers of the Board are listed below:

Name	Title	Term Expires May
Burke Sunday	President	2026
Chris Kolkhorst	Vice President	2026
Robert Bardin	Secretary	2024
Mark Nelson	Assistant Secretary	2024
JoAnn Ramos	Assistant Vice President	2024

Investment Policy

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

Consultants

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

Tax Assessor/Collector: The District's tax assessor/collector is Assessments of the Southwest, Inc., Houston, Texas (the "Tax Assessor/Collector"). The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Appraisal District and bills and collects such levy.

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

Utility System Operator: The District's water and sewer system is operated by Si Environmental, LLC, Houston, Texas.

Auditor: As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which audit reports are filed with the TCEQ. The District's financial statements for the fiscal year ended September 30, 2023, were audited by McGrath & Co., PLLC, Houston, Texas (the "Auditor") and are attached as "APPENDIX A."

Engineer: The consulting engineer for the District in connection with the design and construction of the facilities for which a portion of the Bonds are being sold is BGE, Inc., Houston, Texas (the "Engineer"). BGE, Inc., Houston, Texas, has also been engaged by the Developer in connection with certain planning and design activities within the District.

General and Bond Counsel: The District has engaged Allen Boone Humphries Robinson LLP, Houston, Texas, as bond counsel ("Bond Counsel") in connection with the issuance of the Bonds. The fees to be paid Bond Counsel in connection with the issuance of the Bonds are contingent upon the issuance and delivery of the Bonds. Allen Boone Humphries Robinson LLP, Houston, Texas, also serves as general counsel to the District on matters other than the issuance of bonds. See "LEGAL MATTERS."

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

Financial Advisor: Robert W. Baird & Co. Incorporated, Houston, Texas, is employed as financial advisor (the "Financial Advisor") to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information herein.

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DEVELOPMENT OF THE DISTRICT

The District is being developed as the residential community known as Cross Creek West. To date, approximately 167.89 acres within the District have been developed as 676 single-family lots in the following single-family residential subdivisions: Cross Creek West Sections 1-7 and 9. As of March 11, 2024, development in the District consisted of 327 completed homes (283 occupied, 36 unoccupied, and 8 models); 45 homes under construction; and 304 vacant developed lots. The remainder of land in the District consists of approximately 158.89 undeveloped but developable acres, and approximately 144.59 undevelopable acres.

Status of Development within the District

The following is a status of construction of single-family housing in the District as of March 11, 2024:

<u>Section</u>	Type of Development	Acreage	No. of Lots	Homes			Model Homes
				Complete	Under Construction	Vacant Lots	
Cross Creek West, Section 1	Single Family	6.05	16	0	0	8	8
Cross Creek West, Section 2	Single Family	22.27	96	95	0	1	0
Cross Creek West, Section 3	Single Family	23.30	109	88	12	9	0
Cross Creek West, Section 4	Single Family	26.40	94	66	16	12	0
Cross Creek West, Section 5	Single Family	22.72	95	70	16	9	0
Cross Creek West, Section 6	Single Family	20.64	75	0	0	75	0
Cross Creek West, Section 7	Single Family	26.44	122	0	1	121	0
Cross Creek West, Section 9	Single Family	20.07	69	0	0	69	0
Approximate Total		167.89	676	319	45	304	8
Undevelopable		144.59					
Remaining Developable		158.89					
Total District Acreage		471.3734					

Homebuilders Active within the District

Homebuilders active in the District include: Westin Homes; Perry Homes; Highland Homes; Lennar; and Newmark. Prices of new homes being constructed in the District range from \$371,000 to \$731,000.

DEVELOPER

Role of a Developer

In general, the activities of a developer in a municipal utility district such as the District include purchasing the land within the District, designing the subdivisions, designing the utilities and streets to be constructed in the subdivisions, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, wastewater, and storm drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone, and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. In some instances, the developer will be required to pay up to 30% of the cost of constructing certain of the water, wastewater, and storm drainage facilities in a utility district pursuant to the rules of the TCEQ. The relative success or failure of a developer to perform such activities in development of property within a utility district may have a profound effect on the security of the unlimited tax bonds issued by such district. A developer is generally under no obligation to a district to develop the property which it owns. Furthermore, there is no restriction on a developer’s right to sell any or all of the land which it owns within a district. In addition, a developer is usually the major taxpayer within a municipal utility district during the initial development phase of the property.

Prospective purchasers of the Bonds should note that the prior real estate experience of a developer should not be construed as an indication that further development within the District will occur, or construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. Circumstances surrounding development within the District may differ from circumstances surrounding development of other land in several respects, including the existence of different economic conditions, financial arrangements, homebuilders, geographic location, market conditions, and regulatory climate.

Neither the Developer, nor any affiliate entity, are obligated to pay principal of or interest on the Bonds. Furthermore, neither the Developer nor any of its affiliate entities has a binding commitment to the District to carry out any plan of development, and the furnishing of information relating to the proposed development by the Developer or its affiliate entities should not be interpreted as such a commitment. Prospective purchasers are encouraged to inspect the District in order to acquaint themselves with the nature of development that has occurred or is occurring within the District's boundaries.

Developer

CCR West, Inc., a Texas Corporation (the "Developer"), is the developer of land in the District. The Developer is an affiliate of Johnson Development Corporation ("JDC"). JDC is a developer of residential and commercial properties across the country, and, since its establishment in 1975, has been involved in more than 100 projects resulting in the development of more than 40,000 acres devoted to multiple-use commercial parks; office buildings; retail centers; championship golf courses; and residential communities. In Texas, JDC is responsible for the development of several master-planned communities, including: Sienna, Cross Creek Ranch, Imperial, Jordan Ranch; Riverstone; Harvest Green; Fall Creek; Tuscan Lakes; Edgewater; Woodforest; Harmony; Grand Central Park; Willow Creek Farms; Trinity Falls; and Viridian.

Prospective purchasers of the Bonds should note that the prior real estate experience of a developer should not be construed as an indication that further development within the District will occur, construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. Circumstances surrounding development within the District may differ from circumstances surrounding development of other land in several respects, including the existence of different economic conditions, financial arrangements, homebuilders, geographic location, market conditions, and regulatory climate.

Development Financing

On May 12, 2022, the Developer obtained an infrastructure development loan from Third Coast Bank SSB Bank. The loan had a maximum principal balance of \$35,000,000 and matures on May 12, 2025. The outstanding balance as of February 29, 2024, was \$17,273,649 and, according to the Developer, it is in compliance with all material conditions of the loan.

THE UTILITY SYSTEM

Regulation

According to the Engineer, the Utility System has been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, the County, and the City. According to the Engineer, the design of all such completed facilities has been approved by all required governmental agencies.

Operation of the District's waterworks and sewer treatment facilities is subject to regulation by, among others, the Environmental Protection Agency and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revisions.

Water, Wastewater, and Storm Drainage System

Water Supply: Fort Bend County Municipal Utility District No. 214 (the "Master District") is responsible for providing major water supply and distribution facilities to the Participants located within the approximately 1,326 acre Service Area. The District, Fort Bend County Municipal Utility District No. 214 ("FBMUD 214") and Fort Bend County Municipal Utility District No. 195 ("FBMUD 195") are collectively referred to herein as the "Participants." The Participants will finance their respective shares of the water supply facilities by a contract tax paid by each Participant to the Master District. The Participants receive potable water from Water Well No. 1 (1,500 gpm) and Water Well No. 2 (350 gpm) at Water Plant No. 1, which is operated by the Master District. Under the Master District Contract, capacity from the Master District is reserved through the payment of Connection Charges by each Participant or through capital contributions toward construction costs. The 2024 ground water permit issued to the Master District by the Fort Bend Subsidence District ("FBSD") in the amount of 60 million gallons for January 1, 2024 through December 31, 2024 includes a sufficient amount to serve the Participants. The wells constructed by the Master District are within the regulatory area of the FBSD. The FBSD 2003 Regulatory Plan requires a district located in the Regulatory Area to draft or be part of a groundwater reduction plan ("GRP") by 2008. A district must be part of a GRP, which provides for 30% surface water conversion by 2014 and 60% surface water conversion by 2025. In 2005 and 2013, the Texas Legislature created the North Fort Bend Water Authority ("NFBWA") and the West Fort Bend Water Authority ("WFBWA") to, among other things, reduce groundwater usage in, and to provide surface water to, the northern portion of Fort Bend County and a small portion of Harris County. The WFBWA is not currently active. The NFBWA has prepared and obtained FBSD approval of its GRP. A portion of the Master District's Service Area, including a majority of the District, is located within the boundaries of the NFBWA and a portion of the Master District's Service Area, including a portion of the

District, is located within the boundaries of the WFBWA. The portion of the District located within the boundaries of the NFBWA is part of the NFBWA's GRP and is actively in compliance with the FBSD's regulation.

The Master District plans to stage the construction of future water facilities so that they will be on-line prior to the capacity demand. The future facilities will be funded through the sale of contract revenue bonds by the Master District.

The Master District's water supply is capable of serving 1,290 equivalent single-family connections ("ESFCs").

Wastewater Treatment: The Master District is responsible for providing major wastewater collection and treatment facilities to the Service Area. The Participants will finance their share of the wastewater treatment facilities by a contract tax paid by each Participant to the Master District. The Participant receives wastewater treatment service from a wastewater treatment plant, servicing 0.2 million gallons per day ("MGD"), which is leased from AUC Group, L.P. ("AUC"). Based on the existing capacity of 200,000 gpd and a design factor of 300 gallon-per-day ("gpd") per connection, the wastewater treatment facilities are capable of serving 667 equivalent single-family connections. According to the Engineer and based on current flow rates, the 0.2 mgd expanded plant will be capable of serving the 375 single-family homes currently in the Service Area.

Storm Drainage: The undeveloped land in the Service Area drains naturally into Bessie's Creek. Internal storm-water collection lines are and will be constructed for drainage system improvements to serve each Participant's development. Each Participant's storm drainage collection system will consist of curb and gutters. This system will serve the entire District's drainage area and will convey flows to several storm water detention basins owned and maintained by the Master District. The detention basins will ultimately drain to Bessie's Creek.

100 Year Flood Plain

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years.

According to the FEMA Map Panel No. 48157C0058M revised January 29, 2021, no areas in the District are located within the 100-year flood plain.

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 within the expanded boundaries of the floodplain.

General Fund Operating Statement

The following is a schedule of revenues and expenditures associated with operations of the Utility System. The figures below were obtained from the District's financial statements for the fiscal years ended September 30, 2020, through September 30, 2023. A copy of the District's audited financial statements for fiscal year ended September 30, 2023, is included as "APPENDIX A" and reference to which is hereby made. The District is required by statute to have an independent certified public accountant audit the District's financial statements annually, such audited financial statements are filed with the TCEQ.

	Fiscal Year Ended				
	<u>09/30/2024</u> (a)	<u>09/30/2023</u>	<u>09/30/2022</u>	<u>09/30/2021</u> (b)	<u>09/30/2020</u> (b)
REVENUES					
Water service	\$ 73,629	\$ 89,997	\$ 1,315	\$ -	\$ -
Sewer service	36,814	96,781	1,105	-	-
Property taxes	595,000	677,827	2,276	-	-
Penalties and interest	-	34,350	52	-	-
Surface water fees	166,366	188,610	222	-	-
Tap connection and inspection	153,160	680,768	195,405	-	-
Lease contributions	-	-	8,250	5,500	-
Miscellaneous	-	1,003	1,300	-	100
Investment earnings	<u>1,264</u>	<u>1,486</u>	<u>44</u>	<u>4</u>	<u>4</u>
TOTAL REVENUES	<u>\$ 1,026,232</u>	<u>\$ 1,771,002</u>	<u>\$ 209,969</u>	<u>\$ 5,504</u>	<u>\$ 104</u>
EXPENDITURES					
Purchased services	\$ 539,158	\$ 750,207	\$ -	\$ -	\$ -
Professional fees	63,862	164,011	183,033	158,496	25,635
Contracted services	45,538	398,695	40,345	7,425	6,075
Repairs and maintenance	92,919	106,549	3,915	-	-
Utilities	1,409	15,060	-	-	-
Administrative	19,300	36,746	14,352	14,704	-
Other	39,598	34,972	865	1,490	-
Capital outlay					
Right-to-use leased asset	-	50,000	678,128	-	-
Lease - principal	-	38,293	37,288	-	-
Lease - interest	<u>-</u>	<u>16,707</u>	<u>17,712</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$ 801,784</u>	<u>\$ 1,611,240</u>	<u>\$ 975,638</u>	<u>\$ 182,115</u>	<u>\$ 33,196</u>
Excess Revenues (Expenditures)	\$ 224,448	\$ 159,762	\$ (765,669)	\$ (176,611)	\$ (33,092)

(a) Unaudited financial numbers from the District's bookkeeping report as of March 14, 2024.

(b) Unaudited.

THE ROAD SYSTEM

The District constructed the major arterial, collector, and thoroughfare roads necessary to serve the District. The major thoroughfares and collectors consist of stabilized curb and gutter, concrete and asphalt pavement, and bridges. In addition to the major thoroughfares and collectors, internal roadways have been or are being constructed by the District. All roadways constructed by the District are designed and constructed in accordance with the County and the City standards, rules, and regulations. In the event that the County were to fail to accept the District's road facilities, the District is expected to include the cost of maintenance of same in the District's operation and maintenance expenses, and such cost could be significant. In addition to the roadway, public utilities such as underground water, sewer, and drainage facilities are located within the right-of-way. The right-of-way is also shared by streetlights, sidewalks, and franchise utilities (power, gas, telephone, and cable).

DEVELOPER AGREEMENT

A Development Agreement among the City, CCR West, Inc. and Fulshear FF Texas Holdings, L.P. (collectively, the "CCW Developer") was entered into on July 21, 2021 (the "DA"). The DA applies only to the property owned by the CCW Developer, or approximately 1,253 acres ("DA Property").

The DA contemplated the CCW Developer submitting a petition to the City to request all of the DA Property that is not inside the City's ETJ be included in the City's ETJ. The parties agreed that the number of single-family residential housing units shall not exceed 3,900 and the DA Property may contain a maximum amount of 1,800 multi-family units. The parties agreed that the lot size will average 6,000 square feet with a minimum of a forty-foot width requirement, provided that no more than thirty-five percent of the single-family units are forty-five feet in width. The CCW Developer is required to pay the City a Utility Inspection Fee, which is one percent of the total cost of construction for water, sewer, drainage and road projects, but not park or recreational projects. The homebuilder agrees to pay to the City a Homebuilder Permit Fee not to exceed \$600 per residential unit.

The CCW Developer agrees to dedicate a minimum of 110 acres of reserve, parkland and open space to the Master District or the homeowner's association. The timing of the dedication will follow the development of the DA Property. Additionally, the City requires the CCW Developer to remit \$450 per dwelling unit toward the City's costs to implement a Regional Park.

The DA has attached a copy of the City Development Ordinance, City Ordinance No. 2020-1331, which are the chapters that apply in the City's ETJ, and specifically details which provisions apply to the DA Property and which do not apply. The City must approve all plats, plans and specifications that conform with the DA and meet the City Development Ordinance, as attached to the DA.

The City agrees not to dissolve or attempt to dissolve in whole or in part any Participant until the Developers has developed, and has been reimbursed for, ninety percent of the developable acreage within the Participant. If the City dissolves a Participant, in connection with all other remedies allowed by law, the City shall assume the full reimbursement of the CCW Developer. Further, the CCW Developer agrees that upon the request of the City, the CCW Developer would encourage the Participant to enter into a Strategic Partnership Agreement between the Participant and the City for a limited purpose annexation and to levy a sales and use tax. To date, the City has not requested this from the CCW Developer.

MASTER DISTRICT CONTRACT

Each Participant has executed the Contract for Financing, Operation, and Maintenance of Regional Water, Sanitary Sewer, Storm Sewer, Park, Road and other Joint Facilities for Cross Creek West (the "Master District Contract") and each Participant obtained the approval of the Master District Contract from the voters of the Participant at an election held within its boundaries. The Master District Contract dictates and defines what comprises Master District Facilities, the financing and construction of the Master District Facilities, and the operation and maintenance of the Master District Facilities that serves all of the Participant land (the "Service Area").

The Master District System Facilities are defined, described, and displayed under the Master District Contract to mean the (i) Master District Water System, including the water plant, mains and trunk facilities to serve the Service Area, save and except internal facilities that only serve one municipal utility district in the Service Area; (ii) Master District Sanitary Sewage Collection System, including a permanent wastewater treatment plant, trunk or main sanitary sewer lines, manholes, intercepting sewers, lift stations to serve the Service Area, save and except internal facilities that only serve one municipal utility district in the Service Area; and (iii) Master District Storm Sewer System, including all or any part of the drainage facilities for the collection of storm water such as manholes, drainage trunk lines, detention and retention ponds, outfall drainage channels and ditches, save and except internal facilities that only serve one municipal utility district in the Service Area. The Master District Contract authorizes the Master District to issue Contract Revenue System Bonds to acquire, construct, and maintain the Master District System Facilities in an aggregate amount not to exceed \$373,490,000.

The Master District Road Facilities are defined, described, and displayed under the Master District Contract to mean the major thoroughfares and roadway related facilities in and of such thoroughfares that serve the Service Area. The Master

District Contract authorizes the Master District to issue Contract Road Revenue Bonds to acquire, construct and maintain the Master District Road Facilities in an aggregate amount not to exceed \$246,480,000.

The Master District Park Facilities are defined, described, and displayed under the Master District Contract to mean the park, recreational and landscaping facilities to design, acquire, construct, lease, equip, modernize, repair, improve or complete Master District park facilities or any enlargements, expansions, repairs, upgrades or modifications thereto in the Service Area. The Master District Park Facilities also include any regional park fees required by the City of Fulshear under the DA.

The Master District Contract provides two options for the Participants to finance the Master District Park Facilities. First, the Master District may issue Master District Park Bonds and the aggregate amount of the Master District Park Bonds may not exceed \$158,808,000. Alternatively, the Master District may levy a Park Construction Charge, as defined under the Master District Contract, and the Participants could issue park bonds and remit the Park Construction Charge to the Master District. The Master District Contract provides that the Master District will compute the Park Construction Charge on the basis of the then estimated total capital costs of providing the Master District Park Facilities for all of the Service Area minus the Park Construction Charges which have previously paid to the Master District (at this time the amount is \$0), and dividing the result by the number of estimated total connections to be constructed within the Service Area minus the number of connections for which Park Construction Charges have been previously paid to the Master District. Upon approval of the Master District Park Facilities by the Commission, the Master District will reimburse the developer for the Master District Park Facilities or use the Park Construction Charge to construct new Master District Park Facilities.

The Master District Facilities will be constructed in stages to meet the needs of a continually expanding population within the Service Area. In the event that the Master District fails to meet its obligations under the Master District Contract to provide Master District Facilities, each of the other Participants has the right pursuant to the Master District Contract to design, acquire, construct, or expand such regional facilities needed to provide service to such Participants, and convey such facilities to the Master District in consideration of payment by the Master District of the actual reasonable and necessary capital costs expended by such Participant for such facilities.

By execution of the Master District Contract, each of the Participants has agreed to make an annual contract payment ("Contract Payment") in an amount equal to its annual pro rata share of debt service on the Bonds, plus all charges and expenses of paying agents and registrars based upon the gross certified assessed valuation of each such Participant as a percentage of the total gross certified assessed valuation of all Participants. Participants are obligated to pay their pro rata share from the proceeds of an annual unlimited ad valorem tax levied for such purpose or from any other lawful source of funds.

Each Participant is obligated severally, but not jointly, to make Contract Payments to the Master District. No Participant is obligated, contingently or otherwise, to make any Contract Payments owned by any other Participant; however, lack of payment, as required by the Master District Contract, by any Participant could result in an increase in the Contract Payment amount paid by each of the other Participants during the time that such Participants' payment is delinquent.

The Master District Contract also requires each Participant to make annual contract payments ("Water/Sewer/Drainage Contract Payment") in an amount equal to its pro rata share of annual debt service on the Master District's outstanding and future contract revenue bonds issued for the purpose of constructing or acquiring Master District System Facilities for the purpose of paying the debt service payments on such bonds ("Contract Revenue System Bonds") plus all charges and expenses of paying agents and registrars and all amounts required to establish and maintain certain funds based upon the gross certified assessed valuation of each such Participant as a percentage of the total gross certified assessed valuation of all Participants. Moreover, the Master District Contract requires each Participant to make annual contract payments for Master District Road Facilities ("Road Contract Payments"). Participants are obligated to pay Water/Sewer/Drainage Contract Payments and Road Contract Payments to the Master District from the proceeds of an annual unlimited ad valorem tax levied for such purpose or from any other lawful source of funds.

Water/Sewer/Drainage Contract Payments (all of which are derived from the Water/Sewer/Drainage Contract Tax or other legally available funds of a Participant) are not pledged for and are not available to be used to make Road Contract Payments. Road Contract Payments (all of which are derived from the Road Contract Tax or other legally available funds of a Participant) are not pledged for and are not available to be used to make Water/Sewer/Drainage Contract Payments.

The Master District Contract defines and obligates the Participants to pay a Monthly Charge for each active connection in the Participants to pay for all of the operation and maintenance of the Master District Facilities and to provide for an operation and maintenance reserve in the Master District General Fund equivalent to three months of operation and maintenance expenses for the Master District Facilities. The Master District has leased a temporary wastewater treatment plant and those monthly payments are included in the Monthly Charge. Each Participant's share of operation and maintenance expenses and reserve requirements is calculated and expressed in terms of costs per equivalent single-family residential connection. The Participant's monthly payment for operation and maintenance or Monthly Charges is calculated by multiplying the number of equivalent single-family residential connections reserved to the Participant on the first day

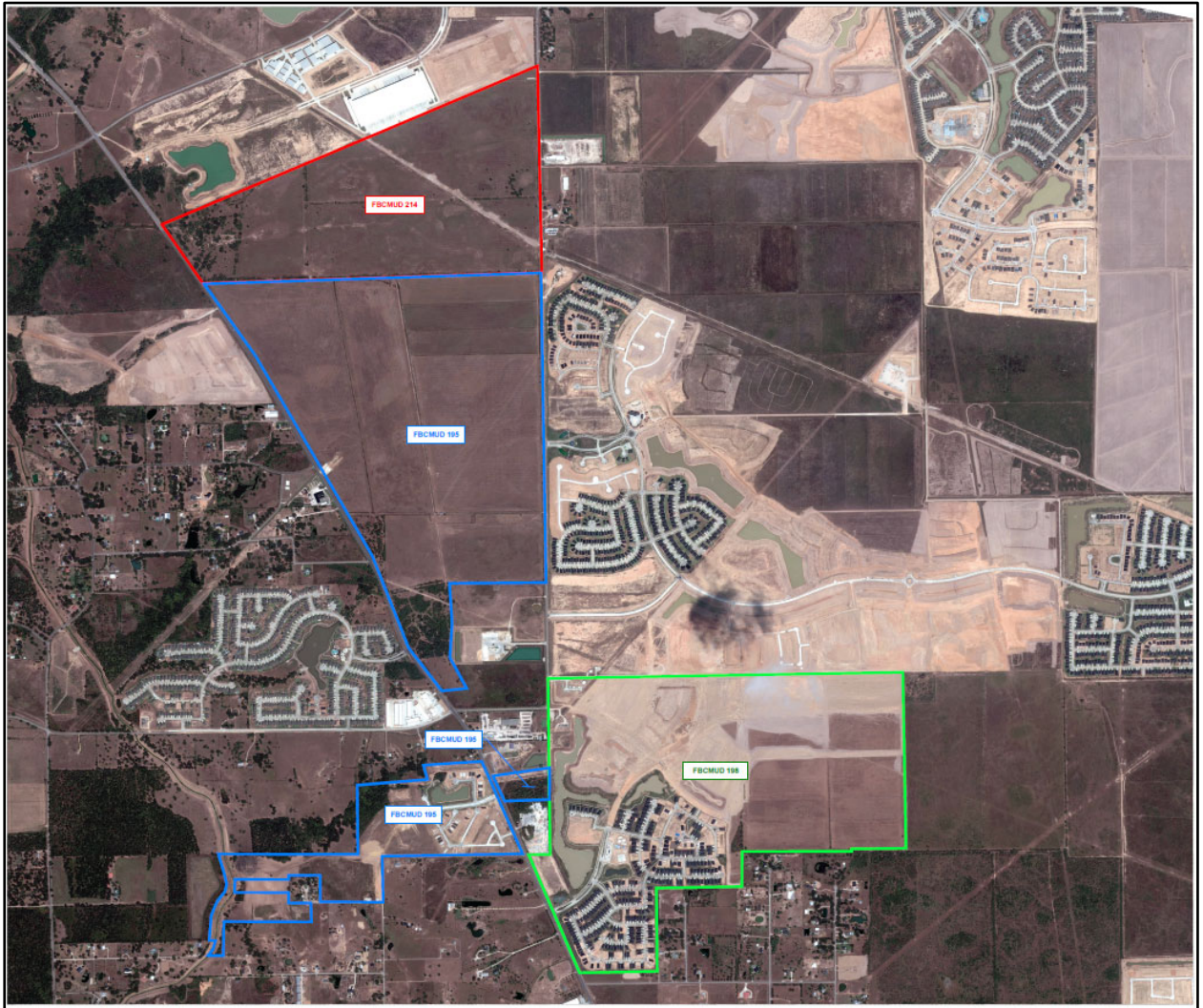
of the previous month by the Monthly Charge. The Master District may calculate the Monthly Charge at any time, but has previously established the Monthly Charge while adopting its annual budget. Currently, the Monthly Charge is \$307.

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PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(March 2024)



AERIAL OF THE DISTRICT
(March 2024)



DISTRICT DEBT

Debt Service Requirement Schedule

The following schedule sets forth the principal and interest requirements of the Bonds. Totals may not sum due to rounding.

Year	The Utility Bonds			The Road Bonds			Total Debt Service
	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service	
2024	\$ -	\$ 97,959	\$ 97,959	\$ -	\$ 103,882	\$ 103,882	\$ 201,841
2025	-	314,869	314,869	-	333,906	333,906	648,775
2026	155,000	314,869	469,869	165,000	333,906	498,906	968,775
2027	160,000	305,181	465,181	170,000	323,181	493,181	958,363
2028	170,000	294,781	464,781	180,000	312,131	492,131	956,913
2029	175,000	283,731	458,731	185,000	300,431	485,431	944,163
2030	185,000	272,356	457,356	195,000	288,406	483,406	940,763
2031	195,000	260,331	455,331	205,000	275,731	480,731	936,063
2032	205,000	247,656	452,656	215,000	262,406	477,406	930,063
2033	210,000	236,125	446,125	225,000	250,313	475,313	921,438
2034	220,000	227,725	447,725	235,000	241,313	476,313	924,038
2035	235,000	218,925	453,925	245,000	231,913	476,913	930,838
2036	245,000	209,525	454,525	260,000	222,113	482,113	936,638
2037	255,000	199,725	454,725	270,000	211,713	481,713	936,438
2038	270,000	189,525	459,525	285,000	200,913	485,913	945,438
2039	280,000	178,725	458,725	295,000	189,513	484,513	943,238
2040	295,000	167,525	462,525	310,000	177,713	487,713	950,238
2041	305,000	155,725	460,725	325,000	165,313	490,313	951,038
2042	320,000	143,525	463,525	340,000	152,313	492,313	955,838
2043	335,000	130,725	465,725	360,000	138,713	498,713	964,438
2044	355,000	117,325	472,325	375,000	124,313	499,313	971,638
2045	370,000	103,125	473,125	395,000	109,313	504,313	977,438
2046	390,000	87,863	477,863	410,000	93,019	503,019	980,881
2047	405,000	71,775	476,775	430,000	76,106	506,106	982,881
2048	425,000	55,069	480,069	450,000	58,369	508,369	988,438
2049	445,000	37,538	482,538	470,000	39,806	509,806	992,344
2050	465,000	19,181	484,181	495,000	20,419	515,419	999,600
Total	\$ 7,070,000	\$ 4,941,384	\$ 12,011,384	\$ 7,490,000	\$ 5,237,163	\$ 12,727,163	\$ 24,738,547

Average Annual Debt Service Requirement (2024–2050) \$ 916,242

Maximum Annual Debt Service Requirement (2050)..... \$ 999,600

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Bonded Indebtedness

2023 Assessed Taxable Valuation	\$ 59,975,454	(a)
Estimated Assessed Taxable Valuation as of January 1, 2024.....	\$ 170,393,627	(b)
Direct Debt:		
The Utility Bonds	\$ 7,070,000	
The Road Bonds.....	\$ 7,490,000	
Total	\$ 14,560,000	
Estimated Overlapping Debt.....	\$ 14,689,406	(c)
Total Direct and Estimated Overlapping Debt	\$ 29,249,406	(c)
Direct Debt Ratios:		
As a Percentage of the 2023 Assessed Taxable Valuation	24.28	%
As a Percentage of the Estimated Assessed Taxable Valuation as of January 1, 2024	8.54	%
Direct and Estimated Overlapping Debt Ratios:		
As a Percentage of the 2023 Assessed Taxable Valuation	48.77	%
As a Percentage of the Estimated Assessed Taxable Valuation as of January 1, 2024	17.17	%
Utility System Debt Service Fund Balance (as of the Date of Delivery).....	\$ 472,303	(d)
Road System Debt Service Fund Balance (as of the Date of Delivery).....	\$ 500,859	(e)
General Fund Balance (as of March 14, 2024).....	\$ 659,400	
2023 Tax Rate per \$100 of Assessed Taxable Valuation:		
Utility System Debt Service	\$ 0.000	
Road System Debt Service	\$ 0.000	
Maintenance and Operation.....	\$ 1.500	
Total	\$ 1.500	
Average Annual Debt Service Requirements (2024–2050)	\$ 916,242	(f)
Maximum Annual Debt Service Requirements (2050).....	\$ 999,600	(f)
Debt Service Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay the Average Annual Debt Service Requirements on the Bonds (2024–2050) at 95% Tax Collections:		
Based on the 2023 Assessed Taxable Valuation.....	\$ 1.61	
Based on the Estimated Assessed Taxable Valuation as of January 1, 2024	\$ 0.57	
Debt Service Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay the Maximum Annual Debt Service Requirements on the Bonds (2050) at 95% Tax Collections:		
Based on the 2023 Assessed Taxable Valuation.....	\$ 1.76	
Based on the Estimated Assessed Taxable Valuation as of January 1, 2024	\$ 0.62	
Single-Family Homes (including 45 under construction and 8 model homes) as of March 11, 2024.....	372	

-
- (a) Represents the assessed valuation of all taxable property within the District as of January 1, 2023, as provided by the Fort Bend Central Appraisal District (the "Appraisal District"). See "TAX DATA" and "TAXING PROCEDURES."
 - (b) Provided by the Appraisal District for informational purposes only, this amount represents an estimate of all taxable property within the District as of January 1, 2024, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2023, through January 1, 2024. No taxes will be levied against this amount. See "TAX DATA" and "TAXING PROCEDURES."
 - (c) See "DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement."
 - (d) Represents eighteen (18) months of capitalized interest. At the delivery of the Utility Bonds, eighteen (18) months of capitalized interest will be deposited into this fund. Neither Texas law nor the Utility System Bond Resolution requires that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued for the Road System, including the Road Bonds.
 - (e) Represents eighteen (18) months of capitalized interest. At the delivery of the Road Bonds, eighteen (18) months of capitalized interest will be deposited into this fund. Neither Texas law nor the Road System Bond Resolution requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued for the Utility System, including the Utility Bonds.
 - (f) Requirement of debt service on the Utility Bonds and the Road Bonds. See "DISTRICT DEBT – Debt Service Requirement Schedule."

Estimated Direct and Overlapping Debt Statement

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in "Texas Municipal Reports," published by the Municipal Advisory Council of Texas, or other available information. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot presently be determined. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance, and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

Taxing Jurisdiction	Outstanding Debt as of February 29, 2024	Estimated Overlapping Debt	
		Percent	Amount
Fort Bend County	\$ 933,882,725	0.05%	\$ 499,424
Fort Bend County Drainage District	23,615,000	0.05%	12,749
Lamar Consolidated ISD	2,834,465,000	0.21%	5,989,505
FBMUD 214	12,715,000 (b)	64.39%	<u>8,187,728</u>
Total Estimated Overlapping Debt			\$ 14,689,406
The District (a)			<u>\$ 14,560,000</u>
Total Direct and Estimated Overlapping Debt (a)			<u>\$ 29,249,406</u>

(a) The Bonds.

(b) The \$12,715,000 principal amount includes the \$6,130,000 Contract Revenue Bonds, Series 2024 and the \$6,585,000 Contract Revenue Road Bonds, Series 2024A, that the Master District anticipates will close on May 9, 2024. The District's 64.39% share of such debt is based on the District's 2023 Gross Certified Assessed Valuation as a percentage of the 2023 Gross Certified Assessed Valuation of the Service Area.

Debt Ratios

	Percentage of the 2023 Assessed Taxable Valuation	Percentage of the Estimate of Assessed Taxable Valuation as of January 1, 2024
Direct Debt (a)	24.28%	8.54%
Total Direct and Estimated Overlapping Debt (a)	48.77%	17.17%

(a) The Bonds.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property in the District in sufficient amount to pay the principal of and interest on the Utility Bonds issued for the Utility System, and any bonds issued for the Utility System payable from taxes which the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. The Board is also authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property in the District in sufficient amount to pay the principal of and interest on the Road Bonds issued for the Road System, and any bonds issued for the Road System payable from taxes which the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes (see "RISK FACTORS - Future Debt"). The District agrees in the Bond Resolutions to levy such taxes from year to year as described more fully under "THE BONDS - Source of Payment." Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District and the Utility System, the Road System, and for the payment of certain contractual obligations. See "TAX DATA - Maintenance and Operation 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 Texas. Provisions of the Property Tax Code are complex and are not fully summarized herein. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county 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 Appraisal District has the responsibility of appraising property for all taxing units within the County. Such appraisal values will be subject to review and change by the Fort Bend Central Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll, as approved by the Appraisal Review Board, will be used by the District in establishing its tax rolls and tax rate.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by 20% of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. 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 appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. This exemption will also apply to a residence homestead that was donated by a charitable organization at some cost to such veterans. Also, the surviving spouse of a member of the armed forces who was killed in action is entitled to an exemption of the appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption may be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption would be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received. For the 2024 tax year, the District did not grant an exemption for persons over 65 years of age and for disabled persons.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in Texas to exempt up to 20% of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by before July 1. The District has never adopted a homestead exemption.

Freeport Goods and Goods-in-Transit Exemption: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing, or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2013 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing,

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

Tax Abatement

The County and/or Fulshear may designate all or part of the area within the District as a reinvestment zone. Thereafter, the County and/or Fulshear and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. To date, the County and/or Houston has not designated any part of the area within the District as a reinvestment zone.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on 100% of market value, as such is defined in the Property Tax Code. Nevertheless, certain land may be appraised at less than market value, as such is defined in the Property Tax Code. The Texas Constitution limits increases in the appraised value of residence homesteads to 10% annually regardless of the market value of the property.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of 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 one (1) political subdivision while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years, for 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 property in the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisals will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county wide basis. The District, however, at its expense, has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses to formally include such values on its appraisal roll.

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically damaged by a disaster and within an area declared to be a disaster area by the Governor. 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, including the District, may appeal orders of the Appraisal Review Board by filing a timely petition for review in district court. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of 6% of the amount of the tax for the first calendar month it is delinquent, plus 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 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 1% for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of taxes, 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) 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 classifies districts differently based on the current maintenance and operations tax rate or on the percentage of build-out that the District has completed. Districts that have adopted a maintenance and operations tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

Special Taxing Units

Special Taxing Units that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus 1.08 times the previous year's maintenance and operations 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 an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 1.035 times the previous year's maintenance and operations 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 or the 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 maintenance and operations tax threshold applicable to Special Taxing Units.

Developing Districts

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

The District

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

District's Rights in the Event of Tax Delinquencies

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

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

TAX DATA

General

All taxable property within the District is subject to the assessment, levy, and collection by the District of two (2) separate continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds. See "TAXING PROCEDURES." The Board has in its Bond Resolutions covenanted to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds See "THE BONDS" and "RISK FACTORS." For the 2023 tax year, the District levied a total tax rate of \$1.500 per \$100 of assessed valuation. See "TAX DATA – Tax Rate Distribution."

Tax Rate Limitation

Utility System Debt Service:	Unlimited (no legal limit as to rate or amount).
Road System Debt Service:	Unlimited (no legal limit as to rate or amount).
Utility System Maintenance and Operation:	\$1.50 per \$100 assessed taxable valuation.
Road System Maintenance and Operation:	\$0.25 per \$100 assessed taxable valuation.

Maintenance and Operation Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District’s improvements if such maintenance tax is authorized by vote of the District’s electors. The Board is authorized by the District’s voters to levy such maintenance tax in an amount not to exceed \$1.50 per \$100 of assessed valuation for the Utility System and \$0.250 per \$100 of assessed valuation for the Road System. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, and any parity bonds which may be issued in the future. For the 2023 tax year, the District levied a maintenance and operation tax rate of \$1.50. See "TAX DATA – Tax Rate Distribution."

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 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 Property Tax Code.

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the debt service tax rates per \$100 of assessed taxable valuation which would be required to meet certain debt service requirements of the Bonds if no growth in the District’s tax base occurs beyond the 2023 assessed taxable valuation (\$59,975,454) or the estimated assessed taxable valuation as of January 1, 2024 (\$170,393,627). The calculations assume collection of 95% of taxes levied and the sale of no additional bonds by the District.

Average Annual Debt Service Requirement (2024–2050)	\$ 916,242
Tax Rate of \$1.61 on the 2023 Assessed Taxable Valuation Produces	\$ 917,325
Tax Rate of \$0.57 on the Estimated Assessed Taxable Valuation as of January 1, 2024, Produces.....	\$ 922,681
Maximum Annual Debt Service Requirement (2050).....	\$ 999,600
Tax Rate of \$1.76 on the 2023 Assessed Taxable Valuation Produces	\$ 1,002,790
Tax Rate of \$0.62 on the Estimated Assessed Taxable Valuation as of January 1, 2024, Produces.....	\$ 1,003,618

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Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions, certain taxing jurisdictions are authorized by Texas law to assess, levy, and collect ad valorem taxes for operation, maintenance, administrative, and/or general revenue purposes. See "DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement."

Set forth below is an estimation of all taxes per \$100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions, or any other charges made by entities other than political subdivisions. The following chart includes the 2023 taxes per \$100 of assessed valuation levied by all such taxing jurisdictions.

<u>Taxing Jurisdictions</u>	<u>2023 Tax Rate</u>
The District	\$ 1.500000
Fort Bend County	0.426500
Fort Bend County Drainage District	0.012400
Fort Bend County Emergency Services District No. 4	0.095673
Lamar Consolidated Independent School District	<u>1.149000</u>
Total	<u>\$ 3.183573</u>

Historical Tax Collections

The following represents the historical tax collections for the District’s 2021-2023 tax years.

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate (a)</u>	<u>Adjusted Levy</u>	<u>Collections Current Year</u>	<u>Fiscal Year Ending</u>	<u>Collections as of 04/05/2024</u>
2021	\$ 12,474,110	\$ 1.500000	\$ 187,112	100.00 %	2022	100.00 %
2022	33,875,633	1.500000	508,134	97.02 %	2023	100.00 %
2023	59,975,454	1.500000	899,632	91.62 %	2024	91.62 %

(a) Total tax rate per \$100 of assessed valuation. See "TAX DATA – Tax Rate Distribution."

Tax Rate Distribution

The following represents the components of the tax rate for the District’s 2021-2023 tax years.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Utility System Debt Service	\$ 0.000	\$ 0.000	\$ 0.000
Road System Debt Service	0.000	0.000	0.000
Maintenance and Operation	<u>1.500</u>	<u>1.500</u>	<u>1.500</u>
Total	\$ 1.500	\$ 1.500	\$ 1.500

Assessed Taxable Valuation Summary

The following represents the type of property comprising the District's 2021-2023 tax rolls, as certified by the Appraisal District.

Type of Property	2023 Assessed Taxable Valuation	2022 Assessed Taxable Valuation	2021 Assessed Taxable Valuation
Land	\$ 30,590,255	\$ 34,642,150	\$ 12,869,820
Improvements	30,100,884	10	0
Personal Property	380,170	0	0
Exemptions	<u>(1,095,855)</u>	<u>(766,527)</u>	<u>(395,710)</u>
Total	\$ 59,975,454	\$ 33,875,633	\$ 12,474,110

Principal Taxpayers

The following represents the principal taxpayers on the District's 2023 tax roll, as certified by the Appraisal District.

Taxpayer	Type of Property	Assessed Taxable Valuation 2023 Tax Roll	Percentage of 2023 Taxable Assessed Valuation
Westin Homes & Properties LP (b)	Land and Improvements	\$ 6,894,966	11.50%
Perry Homes LLC (b)	Land and Improvements	4,547,936	7.58%
Highland Homes Houston LLC (b)	Land and Improvements	3,397,130	5.66%
Lennar Homes of Texas Land & Const. Ltd (b)	Land and Improvements	3,010,788	5.02%
Newmark Homes Houston LLC (b)	Land and Improvements	2,769,883	4.62%
CCR West, Inc. (a)	Land	1,213,102	2.02%
Homeowner	Land and Improvements	736,956	1.23%
Homeowner	Land and Improvements	637,769	1.06%
Homeowner	Land and Improvements	623,923	1.04%
Homeowner	Land and Improvements	<u>619,000</u>	<u>1.03%</u>
Total		\$ 24,451,453	
Percentage of 2023 Tax Roll			40.77%

(a) See "DEVELOPER."

(b) See "DEVELOPMENT OF THE DISTRICT - Homebuilders Active within the District."

LEGAL MATTERS

Legal Opinions

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of Texas, payable from the proceeds of two (2) separate continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Bond Counsel, to a like effect and to the effect that, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals, however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations for the purpose of determining the alternative minimum tax imposed on corporations.

Bond Counsel has reviewed the information discussed under "THE BONDS" (except for the subheadings "Book-Entry-Only System," "Use and Distribution of Utility Bond Proceeds," and "Use and Distribution of Road Bond Proceeds"), "THE DISTRICT - Authority," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law, the provisions of the documents referred to therein and conforms to the provisions of the order of the TCEQ approving the Utility Bonds. Bond Counsel has not, however, independently verified any of the factual information contained herein 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, Houston, Texas, also serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold, and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

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

No-Litigation Certificate

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

No Material Adverse Change

The obligations of the 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 subsequent to the date of sale from that set forth or contemplated herein, as it may have been supplemented or amended through the date of sale.

TAX MATTERS

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 (as defined in section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code")) for the purpose of determining the alternative minimum tax imposed on corporations.

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

Bond Counsel's opinion will assume continuing compliance with the covenants of the Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purpose, and in addition, will rely on representations by the District, the Financial Advisor, and the Initial Purchasers with respect to matters solely within the knowledge of the District, the Financial Advisor, and the Initial Purchasers, 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 Service. Additionally, backup withholding may apply to any such payments to any owner who is not an "exempt recipient" and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

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

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

as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

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

Tax Accounting Treatment of Original Issue Discount Bonds

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

In the event of the redemption, sale, or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under "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 this Official Statement.)

The foregoing is based on the assumptions that (a) the Initial Purchasers have 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 inside cover page hereof, 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 (6)-month period ending on the date before the semiannual anniversary dates of the Bonds and ratably within each such six (6)-month period) and the accrued amount is added to an initial owner's basis for such Bond for purposes of determining the amount of gain or loss recognized by such owner upon redemption, sale, or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price plus the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Bond.

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

NOT Qualified Tax-Exempt Obligations

The Bonds are NOT "qualified tax-exempt obligations" for financial institutions.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

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

The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type discussed under "DISTRICT DEBT" (except under the subheading "Estimated Direct and Overlapping Debt Statement"), "TAX DATA," and "APPENDIX A." The District will update and provide this information within six (6) months after the end of each of its fiscal years ending in or after 2024. The District will provide the updated information to the MSRB through the EMMA system.

Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to Texas law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to EMMA within such six (6) month period, and audited financial statements when the audit report becomes available.

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten (10) 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 Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of 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 Resolutions make any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement discussed under "CONTINUING DISCLOSURE OF INFORMATION – Annual Reports."

Availability of Information from EMMA

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

Limitations and Amendments

The District has agreed to update information and to provide notices of material events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results, operations, conditions, or prospects or 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 owners and beneficial owners of the 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 holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolutions 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 Purchasers 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 discussed under "CONTINUING DISCLOSURE OF INFORMATION – 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

This is the first issuance of Bonds by the District. The District has not entered into a prior continuing disclosure agreement in accordance with the Rule.

OFFICIAL STATEMENT

General

The information contained herein has been obtained primarily from the District's records, the Engineer, the Developer, the Tax Assessor/Collector, and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below. All of the summaries of the statutes, resolutions, orders, contracts, audits, and engineering and other related reports set forth herein 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 for further information.

The District's financial statements for the fiscal year ended September 30, 2023, were audited by the Auditor and are attached as "APPENDIX A." The Auditor has consented to the publication of such financial statements herein.

Experts

The information contained herein relating to engineering and to the description of the Utility System and the Road System, and, in particular, that engineering information discussed under "THE BONDS – Use and Distribution of Utility Bond Proceeds," "THE BONDS – Use and Distribution of Road Bond Proceeds," "THE DISTRICT – Description," "THE UTILITY SYSTEM," and "DEVELOPMENT OF THE DISTRICT" was provided by the Engineer and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

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

Certification as to Official Statement

The District, acting by and through its Board in its official capacity and in reliance upon the experts listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements, and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, descriptions, and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof.

Updating of Official Statement

If, subsequent to the date of this 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 this 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 this Official Statement satisfactory to the Initial Purchasers; provided, however, that the obligation of the District to so amend or supplement this Official Statement will terminate when the District delivers the Bonds to the Initial Purchasers, unless the Initial Purchasers notify the District in writing on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

CONCLUDING STATEMENT

The information set forth herein has been obtained from the District's records, audited financial statements, and other sources which are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents, and resolutions contained herein are made subject to all of the provisions of such statutes, documents, and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

This Official Statement was approved by the Board of Directors of Fort Bend County Municipal Utility District No. 198 as of the date shown on the cover page hereof.

/s/ Burke Sunday
President, Board of Directors
Fort Bend County Municipal Utility District No. 198

ATTEST:

/s/ Robert Bardin
Secretary, Board of Directors
Fort Bend County Municipal Utility District No. 198

APPENDIX A
FINANCIAL STATEMENTS OF THE DISTRICT

**FORT BEND COUNTY MUNICIPAL
UTILITY DISTRICT NO. 198**

FORT BEND COUNTY, TEXAS

FINANCIAL REPORT

September 30, 2023

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McGRATH & CO., PLLC

Certified Public Accountants

2900 North Loop West, Suite 880

Houston, Texas 77092

Independent Auditor's Report

Board of Directors
Fort Bend County Municipal Utility District No. 198
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. 198 (the "District"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 198, as of September 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

***Board of Directors
Fort Bend County Municipal Utility District No. 198
Fort Bend County, Texas***

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

Supplementary Information

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

W. G. G. & Co, PLLC

Houston, Texas
January 11, 2024

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Management's Discussion and Analysis

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***Fort Bend County Municipal Utility District No. 198
Management's Discussion and Analysis
September 30, 2023***

Using this Annual Report

Within this section of the financial report of Fort Bend County Municipal Utility District No. 198 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2023. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

Fort Bend County Municipal Utility District No. 198
Management's Discussion and Analysis
September 30, 2023

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at September 30, 2023, was negative \$5,462,429. The District's net position is negative because the District incurs debt to construct roads which it conveys to Fort Bend County and because the District relies on advances from its developer to fund operating costs. A comparative summary of the District's overall financial position, as of September 30, 2023 and 2022, is as follows:

	2023	2022
Current and other assets	\$ 4,116,813	\$ 357,548
Capital assets	7,968,602	5,949,180
Total assets	<u>12,085,415</u>	<u>6,306,728</u>
Current liabilities	7,061,749	240,779
Long-term liabilities	<u>10,486,095</u>	<u>11,455,187</u>
Total liabilities	<u>17,547,844</u>	<u>11,695,966</u>
Net position		
Net investment in capital assets	(599,451)	(742,048)
Unrestricted	<u>(4,862,978)</u>	<u>(4,647,190)</u>
Total net position	<u>\$ (5,462,429)</u>	<u>\$ (5,389,238)</u>

Fort Bend County Municipal Utility District No. 198
Management's Discussion and Analysis
September 30, 2023

The total net position of the District decreased during the current fiscal year by \$73,191. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2023	2022
Revenues		
Property taxes, penalties and interest	\$ 730,532	\$ 2,328
Water and sewer service	186,778	2,420
Other	872,721	205,221
Total revenues	<u>1,790,031</u>	<u>209,969</u>
Expenses		
Current service operations	1,533,318	242,510
Debt interest	16,707	17,712
Debt issuance costs	72,500	
Depreciation and amortization	229,059	166,032
Total expenses	<u>1,851,584</u>	<u>426,254</u>
Change in net position before other item	(61,553)	(216,285)
Other items		
Transfers to other governments	(212,474)	(4,934,263)
Loss on assignment of lease	(35,164)	
Other non-recurring gains/(losses)	236,000	
Change in net position	(73,191)	(5,150,548)
Net position, beginning of year	(5,389,238)	(238,690)
Net position, end of year	<u>\$ (5,462,429)</u>	<u>\$ (5,389,238)</u>

During the current year, the District assigned certain obligations for regional facilities to Fort Bend County Municipal Utility District No. 214 (the "Master District") which resulted in other non-recurring gains and losses. See Note 4 for additional information.

Financial Analysis of the District's Funds

The District's combined fund balances, as of September 30, 2023, were \$461,889, which consists of \$448,962 in the General Fund and \$12,927 in the Capital Projects Fund.

Fort Bend County Municipal Utility District No. 198
Management’s Discussion and Analysis
September 30, 2023

General Fund

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

	<u>2023</u>	<u>2022</u>
Total assets	<u>\$ 765,464</u>	<u>\$ 357,548</u>
Total liabilities	\$ 298,327	\$ 122,781
Total deferred inflows	18,175	
Total fund balance	<u>448,962</u>	<u>234,767</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 765,464</u>	<u>\$ 357,548</u>

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

	<u>2023</u>	<u>2022</u>
Total revenues	\$ 1,771,002	\$ 209,969
Total expenditures	<u>(1,611,240)</u>	<u>(975,638)</u>
Revenues over/(under) expenditures	159,762	(765,669)
Other changes in fund balance	54,433	968,126
Net change in fund balance	<u>\$ 214,195</u>	<u>\$ 202,457</u>

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

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues increased from prior year because the District’s assessed values increased from prior year.
- Water, sewer and surface water revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District’s control.
- Tap connection fees fluctuate with homebuilding activity within the District.
- The District’s developer advances funds to the District as needed to pay operating costs.

Fort Bend County Municipal Utility District No. 198
Management's Discussion and Analysis
September 30, 2023

Capital Projects Fund

A Capital Projects Fund was established to account for the expenditure of proceeds from the issuance of the District's Series 2023 Bond Anticipation Note. A summary of the financial position of the Capital Projects Fund as of September 30, 2023 is as follows:

Total assets	<u>\$ 3,351,349</u>
Total liabilities	\$ 3,338,422
Total fund balance	<u>12,927</u>
Total liabilities and fund balance	<u>\$ 3,351,349</u>

A summary of activities of the Capital Projects Fund for the current year is as follows:

Total revenues	\$ 854
Total expenditures	<u>(3,244,669)</u>
Revenues under expenditures	(3,243,815)
Other changes in fund balance	<u>3,256,742</u>
Net change in fund balance	<u>\$ 12,927</u>

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board amended the budget during the year to reflect changes in anticipated revenues and expenditures.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$10,133 less than budgeted. The *Budgetary Comparison Schedule* on page 34 of this report provides variance information per financial statement line item.

Capital Assets

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

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

	2023	2022
Capital assets being depreciated		
Infrastructure	\$ 8,273,276	\$ 5,437,084
Right-to-use lease asset		678,128
	<u>8,273,276</u>	<u>6,115,212</u>
Less accumulated depreciation/amortization		
Infrastructure	(304,674)	(120,824)
Right-to-use lease asset		(45,208)
	<u>(304,674)</u>	<u>(166,032)</u>
Capital assets, net	<u>\$ 7,968,602</u>	<u>\$ 5,949,180</u>

During the current year, the District executed an Assignment and Assumption Agreement for Wastewater Treatment Plant Phase 1 Facility Lease with the Master District which resulted in the removal of the remaining book value of the right-to-use lease asset. See Note 9 for additional information.

Capital asset additions during the current year include the Cross Creek West Section 1 and offsite utilities and Lift Station No. 1.

Additionally, Fort Bend County (the "County") assumes responsibility (after a one-year maintenance period) for road facilities constructed within the boundaries of the County. Accordingly, these facilities are not considered assets of the District. The estimated value of these assets is recorded as transfers to other governments upon completion of construction. This estimated cost is trued-up when the developer is reimbursed. For the year ended September 30, 2023, capital assets in the amount of \$212,474 have been completed and recorded as transfers to other governments in the government-wide statements.

Lease Obligations

The District entered into an equipment lease obligation for an interim wastewater treatment plant. The District recognized a right-to-use leased asset and lease obligation in the amount of \$678,128 for these leases. As previously discussed, the District assigned the remaining lease obligation in the amount of \$602,547 to the Master District. See Note 9 for additional information.

Long-Term Debt and Related Liabilities

As of September 30, 2023, the District owes approximately \$13,820,174 to the developer for completed projects and operating advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 8, the District has an additional commitment in the amount of \$6,707,946 for projects under construction by the developer. As noted, the District will owe its developer for these projects upon completion of construction. The District intends to reimburse the developer from proceeds of future

**Fort Bend County Municipal Utility District No. 198
 Management’s Discussion and Analysis
 September 30, 2023**

bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is accrued when the developer is reimbursed.

At September 30, 2023, the District had \$206,030,500 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and the refunding of such bonds; \$30,693,000 for parks and recreational facilities and the refunding of such bonds; and \$68,445,000 for road improvements and the refunding of such bonds.

During the current year, the District issued a \$3,425,000 bond anticipation note (BAN) to provide short-term financing for developer reimbursements. The District intends to repay the BAN with proceeds from the issuance of long-term debt. See Note 7 for additional information.

Next Year’s Budget

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

	<u>2023 Actual</u>	<u>2024 Budget</u>
Total revenues	\$ 1,771,002	\$ 2,309,372
Total expenditures	<u>(1,611,240)</u>	<u>(1,743,084)</u>
Revenues over expenditures	159,762	566,288
Other changes in fund balance	54,433	
Net change in fund balance	<u>214,195</u>	566,288
Beginning fund balance	234,767	448,962
Ending fund balance	<u><u>\$ 448,962</u></u>	<u><u>\$ 1,015,250</u></u>

Property Taxes

The District’s property tax base increased approximately \$26,375,000 for the 2023 tax year from \$33,875,633 to \$60,250,417. This increase was primarily due to new construction in the District and increased property values. For the 2023 tax year, the District has levied a maintenance tax rate of \$1.50 per \$100 of assessed value. This was the same rate levied for the 2022 tax year.

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Basic Financial Statements

Fort Bend County Municipal Utility District No. 198
Statement of Net Position and Governmental Funds Balance Sheet
September 30, 2023

	General Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets					
Cash	\$ 638,967	\$ 3,357,349	\$ 3,996,316	\$ -	\$ 3,996,316
Taxes receivable	18,175		18,175		18,175
Customer service receivables	97,957		97,957		97,957
Prepaid expenses	4,365		4,365		4,365
Internal balances	6,000	(6,000)			
Capital assets, net				7,968,602	7,968,602
Total Assets	\$ 765,464	\$ 3,351,349	\$ 4,116,813	7,968,602	12,085,415
Liabilities					
Accounts payable	\$ 172,164	\$ 4,343	\$ 176,507		176,507
Other payables	17,809		17,809		17,809
Customer deposits	28,200		28,200		28,200
Unearned revenue	80,154		80,154		80,154
Bond anticipation note payable				3,425,000	3,425,000
Due to developer		3,334,079	3,334,079	10,486,095	13,820,174
Total Liabilities	298,327	3,338,422	3,636,749	13,911,095	17,547,844
Deferred Inflows of Resources					
Deferred property taxes	18,175		18,175	(18,175)	
Fund Balances/Net Position					
Fund Balances					
Nonspendable	4,365		4,365	(4,365)	
Restricted		12,927	12,927	(12,927)	
Unassigned	444,597		444,597	(444,597)	
Total Fund Balances	448,962	12,927	461,889	(461,889)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 765,464	\$ 3,351,349	\$ 4,116,813		
Net Position					
Net investment in capital assets				(599,451)	(599,451)
Unrestricted				(4,862,978)	(4,862,978)
Total Net Position				\$ (5,462,429)	\$ (5,462,429)

See notes to basic financial statements.

Fort Bend County Municipal Utility District No. 198
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2023

	General Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues					
Water service	\$ 89,997	\$ -	\$ 89,997	\$ -	\$ 89,997
Sewer service	96,781		96,781		96,781
Property taxes	677,827		677,827	15,144	692,971
Penalties and interest	34,530		34,530	3,031	37,561
Surface water fees	188,610		188,610		188,610
Tap connection and inspection	680,768		680,768		680,768
Miscellaneous	1,003		1,003		1,003
Investment earnings	1,486	854	2,340		2,340
Total Revenues	1,771,002	854	1,771,856	18,175	1,790,031
Expenditures/Expenses					
Current service operations					
Purchased services	750,207		750,207		750,207
Professional fees	164,011	27,073	191,084		191,084
Contracted services	398,695		398,695		398,695
Repairs and maintenance	106,549		106,549		106,549
Utilities	15,060		15,060		15,060
Administrative	36,746		36,746		36,746
Other	34,972	5	34,977		34,977
Capital					
Capital outlay		3,145,091	3,145,091	(3,145,091)	
Right-to-use leased asset	50,000		50,000	(50,000)	
Debt service					
Lease - principal	38,293		38,293	(38,293)	
Lease - interest	16,707		16,707		16,707
Debt issuance costs		72,500	72,500		72,500
Depreciation and amortization				229,059	229,059
Total Expenditures/Expenses	1,611,240	3,244,669	4,855,909	(3,004,325)	1,851,584
Revenues Over/(Under)	159,762	(3,243,815)	(3,084,053)	3,022,500	(61,553)
Expenditures/Expenses					
Other Financing Sources/(Uses)					
Bond anticipation note proceeds		3,425,000	3,425,000	(3,425,000)	
Developer advances	125,000		125,000	(125,000)	
Repayment of developer advances		(168,258)	(168,258)	168,258	
Other Items					
Transfers to other governments				(212,474)	(212,474)
Loss on assignment of lease				(35,164)	(35,164)
Other non-recurring gains/(losses)	(70,567)		(70,567)	306,567	236,000
Net Change in Fund Balances	214,195	12,927	227,122	(227,122)	
Change in Net Position				(73,191)	(73,191)
Fund Balance/Net Position					
Beginning of the year	234,767	-	234,767	(5,624,005)	(5,389,238)
End of the year	\$ 448,962	\$ 12,927	\$ 461,889	\$ (5,924,318)	\$ (5,462,429)

See notes to basic financial statements.

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Fort Bend County Municipal Utility District No. 198 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality, dated January 28, 2009, and operates in accordance with the Texas Water Code, Chapters 49 and 54, as amended. The Board of Directors held its first meeting on October 30, 2014.

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

- The General Fund is used to account for the operations of the District’s water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes, water and sewer revenues, and developer advances. Expenditures include costs associated with the daily operations of the District.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District’s water, sewer, drainage and road facilities.

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

Measurement Focus and Basis of Accounting

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

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

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

Use of Restricted Resources

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

Note 1 – Summary of Significant Accounting Policies (continued)

Prepaid Items

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

Receivables

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

Unbilled Service Revenues

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

Interfund Activity

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

Capital Assets

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

Depreciable capital assets, which primarily consist of water, wastewater and drainage facilities, are depreciated using the straight-line method over an estimated useful life of 45 years.

Deferred Inflows and Outflows of Financial Resources

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

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Inflows and Outflows of Financial Resources (continued)

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

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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

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

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

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

Unassigned - all other spendable amounts in the General Fund.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

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

Use of Estimates

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

Fort Bend County Municipal Utility District No. 198
Notes to Financial Statements
September 30, 2023

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds	\$	461,889
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	\$	8,273,276
Less accumulated depreciation		<u>(304,674)</u>
Change due to capital assets		7,968,602
Bond anticipation notes payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
		(3,425,000)
Amounts due to the District's developer for prefunded construction and operating advances are recorded as a liability in the <i>Statement of Net Position</i> .		
		(10,486,095)
Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.		
		18,175
Total net position - governmental activities	<u>\$</u>	<u>(5,462,429)</u>

Fort Bend County Municipal Utility District No. 198
Notes to Financial Statements
September 30, 2023

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

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

Net change in fund balances - total governmental funds \$ 227,122

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and related penalties and interest. 18,175

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

Capital outlays	\$ 3,195,091	
Depreciation expense	(229,059)	
Transfers to other governments	<u>(212,474)</u>	
		2,753,558

Obligations under capital leases provides current financial resources to governmental funds, while the payment of principal uses current financial resources. However, neither transaction has any effect on net assets. 38,293

Bond anticipation notes payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. (3,425,000)

Amounts received or repaid for developer operating advances are reported as inflows or outflows of financial resources at the fund level; however, in the *Statement of Net Position* these amounts are recorded as a change in the liability.

Developer advances	(125,000)	
Repayment of developer advances	<u>168,258</u>	
		43,258

The District's assignment of certain rights and obligations to the Master District resulted in changes to net position but do not provide financial resources.

Loss on assignment of lease	(35,164)	
Gain on write off of developer advances	<u>306,567</u>	
		271,403

Change in net position of governmental activities \$ (73,191)

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Investments

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

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

Note 4 – Master District

On January 7, 2022, the District entered into a contract (the “Contract”) with Fort Bend County Municipal Utility District No. 214 (the “Master District”) whereby the Master District agrees to provide or cause to be provided regional water, sanitary sewer, storm sewer, park, road and other joint facilities necessary to serve all districts located within the Master District’s service area.

The Master District is authorized to issue bonds for the purpose of acquiring and constructing facilities needed to provide services to all participating districts. The District shall contribute to the payment of debt service requirements based on its pro rata share of the total certified assessed valuation of all participating districts. As of September 30, 2023, the Master District has not issued any bonds.

Note 4 – Master District (continued)

The Contract authorizes the establishment of an operating and maintenance reserve by the Master District equivalent to three months’ operating and maintenance expenses, as set forth in the Master District’s annual budget. Prior to commencement of services, the Master District shall bill the District an amount calculated by multiplying the monthly fee (as defined below) by three in order to provide the initial funding required to establish the reserve. The Master District shall adjust the reserve as needed, not less than annually.

Upon commencement of services, the Master District will charge each participating district a monthly fee based on the unit cost per connection multiplied by the number of equivalent single-family connections reserved to the District. As of September 30, 2023, the monthly fee was \$307 per equivalent-single-family connection.

During the current year, the District approved an Agreement for Allocation of Developer Advances with the Master District. Pursuant to the agreement, the districts agreed to assign all reimbursement obligations with respect to advances received from the District’s developer for Master District operating costs in the amount of \$306,567 from the District to the Master District. Accordingly, this amount was recognized as “Other non-recurring gains/(losses)”, which reduced the amount due to developer on the *Statement of Net Position*.

During the previous fiscal year, the District incurred expenditures related to the operation of the regional facilities which were paid from operating advances received from the District’s developer. Upon commencement of Master District operations during the current year, amounts previously recognized as assets, such as prepaid lease expenditures and due from other districts, in the amount of \$70,567 were written off at the fund level because the Master District has assumed responsibility for reimbursing the developer for these costs. This amount was recognized as “Other non-recurring gains/(losses)” on the *Statement of Activities*.

For the year ended September 30, 2023, the District recognized \$750,207 in expenditures for water supply and wastewater treatment services, which includes \$137,435 for the District’s share of the Master District operating and maintenance reserve.

Renewal and Replacement

On July 18, 2022, the District entered into an Interlocal Agreement for Renewal and Replacement Fee with the Master District for the purpose of accumulating funds for future renewal and replacement repairs to Master District facilities. The Master District will create and establish a Renewal and Replacement Fund (the "Fund"), which shall be accounted for separately and which moneys in the Fund may only be used for renewal and replacement costs of Master District Facilities, at the Master District's sole discretion. The initial fee will be \$0.25 per 1,000 gallons of water purchased by customers within the District, however in no event will the Master District charge more than \$1.50 per 1,000 gallons without written approval of the District. This fee will continue for forty years from the effective date and will remain until either Party is annexed and dissolved by the City of Fulshear.

Fort Bend County Municipal Utility District No. 198
Notes to Financial Statements
September 30, 2023

Note 5 – Interfund Balances and Transactions

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

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Capital Projects Fund	\$ 6,000	Bond related fees paid by the General Fund

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

Note 6 – Capital Assets

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

	Beginning Balances	Additions/ Adjustments	Retirements	Ending Balances
Capital assets being depreciated/amortized				
Infrastructure	\$ 5,437,084	\$ 2,836,192	\$ -	\$ 8,273,276
Right-to-use lease asset	678,128	50,000	(728,128)	
	<u>6,115,212</u>	<u>2,886,192</u>	<u>(728,128)</u>	<u>8,273,276</u>
Less accumulated depreciation/amortization				
Infrastructure	(120,824)	(183,850)		(304,674)
Right-to-use lease asset	(45,208)	(45,209)	90,417	
	<u>(166,032)</u>	<u>(229,059)</u>	<u>90,417</u>	<u>(304,674)</u>
Capital assets, net	<u>\$ 5,949,180</u>	<u>\$ 2,657,133</u>	<u>\$ (637,711)</u>	<u>\$ 7,968,602</u>

Depreciation expense for the current year was \$229,059.

During the current year, the District assigned its rights and obligations under the lease agreement for the wastewater treatment plant to the Master District. As a result, the right-to-use lease asset was written off. See Note 9 for additional information.

Note 7 – Bond Anticipation Note

The District uses a bond anticipation note (BAN) to provide short-term financing for reimbursements to its developer. Despite its short-term nature, a BAN is not recorded as a fund liability, since it will not be repaid from current financial resources and will be repaid through the issuance of long-term debt or another BAN. It is, however, recorded as a liability at the government-wide level.

On September 21, 2023, the District issued a \$3,425,000 BAN with an interest rate of 5.25%, which is due on September 19, 2024. This BAN will be repaid subsequent to year end.

Fort Bend County Municipal Utility District No. 198
Notes to Financial Statements
September 30, 2023

Note 7 – Bond Anticipation Note (continued)

The effect of this transaction on the District’s short-term obligations are as follows:

Beginning balance	\$ -
Amounts borrowed	3,425,000
Ending balance	<u>\$ 3,425,000</u>

Note 8 – Due to Developer

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

The District’s developer has also advanced funds to the District for operating expenses.

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

Due to developer, beginning of year	\$ 10,932,345
Developer funded professional fees	20,730
Developer funded construction and adjustments	3,048,666
Operating advances from developer	125,000
Write off of developer advances	<u>(306,567)</u>
Due to developer, end of year	<u>\$ 13,820,174</u>

As previously discussed, the District assigned all reimbursement obligations with respect to advances received from the District’s developer for Master District operating costs which resulted in the write off of \$306,567 in developer advances.

Subsequent to year end, proceeds from the issuance of the BAN were used to reimburse the District’s developer \$3,334,080, which is included in the amount recognized as due to developer as of September 30, 2023.

Fort Bend County Municipal Utility District No. 198
Notes to Financial Statements
September 30, 2023

Note 8 – Due to Developer (continued)

In addition, the District will owe the developer approximately \$6,707,946, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District’s auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount	Percent Complete
Cross Creek West Detention Phase 2	\$ 137,355	79%
Cross Creek West Section 6 utilities	1,160,009	-
Cross Creek West Section 6 paving	790,819	-
Cross Creek West Section 7 utilities	1,440,603	53%
Cross Creek West Section 7 paving	1,030,523	-
Cross Creek West Section 9 utilities	1,169,000	-
Cross Creek West Section 9 paving	979,637	-
	<u>\$ 6,707,946</u>	

Note 9 - Lease Obligations

On April 28, 2021, the District entered into an equipment lease agreement for a wastewater treatment plant. This lease is for a 60-month term at rate of 8% with payments commencing June 1, 2022. The lease agreement shall automatically be extended on a month-to-month basis after the initial term, unless otherwise terminated. The District recognized a lease liability and an intangible right-to-use leased asset in the amount of \$678,128, which is measured at the present value of future payments. During the current year, the District paid \$55,000 in lease payments.

On February 9, 2023, the District entered into an Assignment and Assumption Agreement for Wastewater Treatment Plant Phase 1 Facility Lease (the “Agreement”) whereby the District assigned ownership and maintenance responsibility under the lease agreement to Fort Bend County Municipal Utility District No. 214 (the “Master District”). As a result, the District transferred the remaining lease obligation in the amount of \$602,547 to the Master District and recognized a \$35,164 loss from the assignment of the lease.

Note 10 – Long-Term Debt

At September 30, 2023, the District had authorized but unissued bonds in the amount of \$206,030,500 for water, sewer and drainage facilities and the refunding of such bonds; \$30,693,000 for park and recreational facilities and the refunding of such bonds; and \$68,445,000 for road facilities and the refunding of such bonds.

Fort Bend County Municipal Utility District No. 198
Notes to Financial Statements
September 30, 2023

Note 11 – Property Taxes

On November 6, 2018, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value and a road maintenance tax limited to \$0.25 per \$100 assessed value.

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

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2023 fiscal year was financed through the 2022 tax levy, pursuant to which the District levied property taxes of \$1.50 per \$100 of assessed value, all of which was allocated to maintenance and operations. The resulting tax levy was \$508,135 on the adjusted taxable value of \$33,875,633.

Property taxes receivable, at September 30, 2023, consisted of the following:

Current year taxes receivable	\$ 15,129
Prior years taxes receivable	15
Property taxes receivable	<u>15,144</u>
Penalty and interest receivable	<u>3,031</u>
Property taxes receivable	<u><u>\$ 18,175</u></u>

Note 12 – Transfers to Other Governments

Fort Bend County assumes responsibility for the maintenance of public roads constructed within the county limits. Accordingly, road facilities are considered to be capital assets of Fort Bend County, not the District and are recorded as transfers to other governments on the *Statement of Activities* upon completion of construction. This cost is trued-up when the developer is subsequently reimbursed. For the year ended September 30, 2023, the District recorded transfers to other governments in the amount of \$212,474 for road facilities constructed by a developer within the District.

Note 13 – Regional Water Authority

A majority of the District is within the boundaries of the North Fort Bend Water Authority (the “Authority”), which was created by the Texas Legislature. The Authority is a political subdivision of the State of Texas, governed by an elected five-member Board of Directors. 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 Harris-Galveston Coastal Subsidence District, which regulates groundwater withdrawal.

Fort Bend County Municipal Utility District No. 198
Notes to Financial Statements
September 30, 2023

Note 13 – Regional Water Authority (continued)

As of January 1, 2022, the Authority's rates are \$4.55 per 1,000 gallons of water for groundwater pumped by the Master District and imported into the boundaries of the District. The cost of the groundwater sold to the District is included in their monthly fee per equivalent single-family connection paid to the Master District (the "Connection Fee"). The District passes these costs on to its customers at a 10% markup for a total rate of \$5.01 per \$1,000 gallon of water. These rates are subject to future increases. During the current year, the District recognized \$188,610 in revenues for regional water authority fees.

Subsequent to the end of the current fiscal year, the Connection Fee was reduced to remove pumpage fees and the District remits payment to the Master District for pumpage fees actually collected pursuant to its Rate Order.

Note 14 – Cost Sharing Agreement

On November 12, 2021, the District and Fort Bend County Municipal Utility District No. 195 ("MUD 195") entered into a Cost Sharing Agreement for Water and Sanitary Sewer Facilities (the "Agreement") for the purpose of acquiring, constructing, and operating water supply and sanitary sewer facilities (the "Facilities") to serve both districts. Each district is responsible for their pro-rata share of costs based on their projected share of capacity. The District will be the legal owner of the Facilities for the benefit of both districts. The District is permitted to transfer the ownership and maintenance of the facilities to another political subdivision that serves both districts namely, the Master District.

During the current year, the District transferred ownership and maintenance of the facilities to the Master District. The Master District will solely be responsible for the lease payments for the facilities. The District assigned to the Master District for all costs that related to the wastewater treatment plant incurred while the District had ownership.

Note 15 – Risk Management

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

Note 16 – Economic Dependency

The District is dependent upon its developer for operating advances. The developer continues to own a substantial portion of the taxable property within the District. The developers' willingness to make future operating advances and/or to pay property taxes will directly affect the District's ability to meet its future obligations.

Required Supplementary Information

Fort Bend County Municipal Utility District No. 198
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2023

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Water service	\$ 5,000	\$ 225,000	\$ 89,997	\$ (135,003)
Sewer service			96,781	96,781
Property taxes	200,000	450,000	677,827	227,827
Penalties and interest			34,530	34,530
Tap connection and inspection	737,280	900,000	680,768	(219,232)
Regional water authority fees			188,610	188,610
Miscellaneous			1,003	1,003
Investment earnings		500	1,486	986
Total Revenues	942,280	1,575,500	1,771,002	195,502
Expenditures				
Current service operations				
Purchased services	50,000	650,000	750,207	(100,207)
Professional fees	170,000	194,000	164,011	29,989
Contracted services	351,172	392,672	398,695	(6,023)
Repairs and maintenance	100,000	65,000	106,549	(41,549)
Utilities		5,000	15,060	(10,060)
Administrative	43,500	42,000	36,746	5,254
Other	5,000	2,500	34,972	(32,472)
Capital				
Right-to-use leased asset			50,000	(50,000)
Debt service				
Lease - principal			38,293	(38,293)
Lease - interest			16,707	(16,707)
Total Expenditures	719,672	1,351,172	1,611,240	(260,068)
Revenues Over Expenditures	222,608	224,328	159,762	(64,566)
Other Financing Sources				
Developer advances			125,000	125,000
Other Items				
Other non-recurring gains/(losses)			(70,567)	(70,567)
Net Change in Fund Balance	222,608	224,328	214,195	(10,133)
Fund Balance				
Beginning of the year	234,767	234,767	234,767	
End of the year	\$ 457,375	\$ 459,095	\$ 448,962	\$ (10,133)

Fort Bend County Municipal Utility District No. 198
Notes to Required Supplementary Information
September 30, 2023

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The budget was amended during the year to reflect changes in anticipated revenues and expenditures.

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Texas Supplementary Information

Fort Bend County Municipal Utility District No. 198
TSI-1. Services and Rates
September 30, 2023

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

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

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels	
Water:	\$ 26.10	10,000	N	\$ 2.50	10,001	to 20,000
				\$ 3.00	20,001	to no limit
Wastewater:	\$ 42.84	- 0 -	Y			to
Surcharge:	\$ 5.01	- 0 -	N	\$ 5.01	0	to no limit

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water \$ 76.15 Wastewater \$ 42.84

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	310	305	x 1.0	305
1"	18	18	x 2.5	45
1.5"	8	8	x 5.0	40
2"	14	14	x 8.0	112
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water	350	345		502
Total Wastewater	330	325	x 1.0	325

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 198
TSI-1. Services and Rates
September 30, 2023

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

Gallons purchased:	<u>48,065,000</u>	Water Accountability Ratio:
		(Gallons billed / Gallons pumped)
Gallons billed to customers:	<u>48,065,000</u>	<u>100.00%</u>

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

Does the District have Debt Service standby fees? Yes No

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

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

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

5. Location of District

Is the District located entirely within one county? Yes No

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

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

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

Is the District located within a city's extra territorial jurisdiction (ETJ)?

Entirely Partly Not at all

ETJs in which the District is located: City of Fulshear

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

If Yes, by whom? _____

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 198
TSI-2. General Fund Expenditures
For the Year Ended September 30, 2023

Purchased services	<u>\$ 750,207</u>
Professional fees	
Legal	77,477
Audit	12,000
Engineering	74,534
	<u>164,011</u>
Contracted services	
Bookkeeping	9,671
Operator	82,539
Garbage collection	15,964
Tap connection and inspection	282,701
Tax assessor collector	5,900
Appraisal district fees	1,920
	<u>398,695</u>
Repairs and maintenance	<u>106,549</u>
Utilities	<u>15,060</u>
Administrative	
Directors fees	9,882
Printing and office supplies	19,584
Insurance	4,986
Other	2,294
	<u>36,746</u>
Other	<u>34,972</u>
Capital	
Right-to-use leased asset	<u>50,000</u>
Lease	
Principal	38,293
Interest	16,707
	<u>55,000</u>
Total expenditures	<u><u>\$ 1,611,240</u></u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 198
TSI-4. Taxes Levied and Receivable
September 30, 2023

	Maintenance Taxes	
Taxes Receivable, Beginning of Year	\$	-
Adjustments to Prior Year Tax Levy		184,836
Adjusted Receivable		184,836
2022 Original Tax Levy		1,307
Adjustments		506,828
Adjusted Tax Levy		508,135
Total to be accounted for		692,971
Tax collections:		
Current year		493,006
Prior year		184,821
Total Collections		677,827
Taxes Receivable, End of Year	\$	15,144
Taxes Receivable, By Years		
2022	\$	15,129
2021		15
Taxes Receivable, End of Year	\$	15,144
	2022	2021
Property Valuations:		
Land	\$ 34,642,150	\$ 12,869,820
Improvements	10	
Exemptions	(766,527)	(395,710)
Total Property Valuations	\$ 33,875,633	\$ 12,474,110
Tax Rates per \$100 Valuation:		
Maintenance tax rates	\$ 1.50	\$ 1.50
Total Tax Rates per \$100 Valuation	\$ 1.50	\$ 1.50
Adjusted Tax Levy:	\$ 508,135	\$ 187,112
Percentage of Taxes Collected to Taxes Levied **	97.02%	99.99%

* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on November 6, 2018
Maximum Road Maintenance Tax Rate Approved by Voters: \$0.25 on November 6, 2018

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

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 198
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2023	2022	2021**	2020**	2019**
Revenues					
Water service	\$ 89,997	\$ 1,315	\$ -	\$ -	\$ -
Sewer service	96,781	1,105			
Property taxes	677,827	2,276			
Penalties and interest	34,530	52			
Surface water fees	188,610	222			
Tap connection and inspection	680,768	195,405			
Lease contribution		8,250	5,500		
Miscellaneous	1,003	1,300		100	36
Investment earnings	1,486	44	4	4	1
Total Revenues	1,771,002	209,969	5,504	104	37
Expenditures					
Current service operations					
Purchased services	750,207				
Professional fees	164,011	183,033	158,496	25,635	21,456
Contracted services	398,695	40,345	7,425	6,075	1,800
Repairs and maintenance	106,549	3,915			1,000
Utilities	15,060				
Administrative	36,746	14,352	14,704	1,221	3,743
Other	34,972	865	1,490	265	1,026
Capital					
Right-to-use leased asset	50,000	678,128			
Debt service					
Lease - principal	38,293	37,288			
Lease - interest	16,707	17,712			
Total Expenditures	1,611,240	975,638	182,115	33,196	29,025
Revenues Over/(Under) Expenditures	\$ 159,762	\$ (765,669)	\$ (176,611)	\$ (33,092)	\$ (28,988)
Total Active Retail Water Connections	345	64	N/A	N/A	N/A
Total Active Retail Wastewater Connections	325	64	N/A	N/A	N/A

*Percentage is negligible

**Unaudited

See accompanying auditors' report.

Percent of Fund Total Revenues

2023	2022	2021**	2020**	2019**
5%	1%	-	-	-
5%	1%			
38%	1%			
2%	*			
11%	*			
39%	92%			
	4%	-		
*	1%		-	-
*	*	-	-	-
100%	100%	-	-	-
42%				
9%	87%	-	-	-
23%	19%	-	-	-
6%	2%			-
1%				
2%	7%	-	-	-
2%	*	-	-	-
2%	18%			
1%	8%			
88%	141%	-	-	-
12%	(41%)	-	-	-

Fort Bend County Municipal Utility District No. 198
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended September 30, 2023

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, TX 77027
District Business Telephone Number: (713) 860-6400
Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): August 17, 2022
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
(Set by Board Resolution -- TWC Section 49.060)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Burke Sunday	5/22 - 5/26	\$ 2,013	\$ 251	President
Chris Kolkhorst	5/22 - 5/26	1,492	163	Vice President
Robert Bardin	5/20 - 5/24	1,792	165	Secretary
JoAnn Ramos	6/22 - 5/24	1,713	119	Assistant Vice President
Mark Nelson	6/22 - 5/24	1,713	461	Assistant Secretary
Consultants				
		<u>Amounts Paid</u>		
Allen Boone Humphries Robinson LLP	2014			Attorney
<i>General legal fees</i>		\$ 66,937		
<i>Bond counsel</i>		34,250		
Si Environmental, LLC	2018	429,202		Operator
Myrtle Cruz, Inc.	2018	9,255		Bookkeeper
Assessments of the Southwest, Inc.	2018	4,100		Tax Collector
Fort Bend Central Appraisal District	Legislative	1,920		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	2022	7,943		Delinquent Tax Attorney
BGE, Inc.	2018	94,031		Engineer
McGrath & Co., PLLC	2022	18,000		Auditor
R.W. Baird & Co., Inc.	2018	34,250		Financial Advisor

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

APPENDIX B
SPECIMEN MUNICIPAL BOND INSURANCE POLICY



BAM

**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

SPECIAL MEMBER

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)

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