

OFFICIAL STATEMENT DATED JUNE 10, 2024

**IN THE OPINION OF BOND COUNSEL, UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS, AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION, THE UTILITY BONDS ARE VALID OBLIGATIONS OF THE DISTRICT, AND INTEREST ON THE UTILITY BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND IS NOT INCLUDED IN THE ALTERNATIVE MINIMUM TAXABLE INCOME OF 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 “LEGAL MATTERS” and “TAX MATTERS” HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.**

The Utility Bonds will not be designated as “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS – Not Qualified Tax-Exempt Obligations.”

**NEW ISSUE – Book Entry Only**

**S&P Global Ratings (BAM Insured): “AA”**

**\$9,750,000**

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 188**  
(A Political Subdivision of the State of Texas Located within Fort Bend County)  
**UNLIMITED TAX UTILITY BONDS**  
**SERIES 2024**

Dated Date: July 1, 2024

Interest Accrues from: Date of Delivery

Due: July 1, as shown on inside cover.

The \$9,750,000 Unlimited Tax Utility Bonds, Series 2024 (the “Utility Bonds”) are obligations solely of Fort Bend County Municipal Utility District No. 188 (the “District”) and are not obligations of Fort Bend County, Texas; the City of Fulshear, Texas; the State of Texas; or any entity other than the District. Neither the full faith and credit nor the taxing power of Fort Bend County, Texas; the City of Fulshear, Texas; the State of Texas; nor any entity other than the District is pledged to the payment of the principal of or the interest on the Utility Bonds.

The Utility Bonds are dated July 1, 2024 (the “Dated Date”), and will accrue interest from the date of delivery, which is expected to be on or about July 11, 2024 (the “Date of Delivery”), with interest payable January 1, 2025, and on each July 1 and January 1 thereafter (each an “Interest Payment Date”) until the earlier of maturity or redemption. Interest on the Utility Bonds will be payable by check dated as of the Interest Payment Date and mailed by the Paying Agent/Registrar (herein defined) to registered owners (“Registered Owners”) as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each Interest Payment Date (the “Record Date”).

The Utility Bonds will be issued in fully registered form only, without coupons, in principal denominations of \$5,000 or any integral multiple thereof, and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York (“DTC”), acting as securities depository for the Utility Bonds until DTC resigns or is discharged. So long as Cede & Co., as nominee of DTC, is the registered owner of the Utility Bonds, principal of and interest on the Utility Bonds will be payable by the Paying Agent/Registrar (herein defined) to DTC, which will be solely responsible for making such payment to the beneficial owners of the Utility Bonds. The District has designated Regions Bank, an Alabama state banking corporation, Houston, Texas, as the initial paying agent/registrar (the “Paying Agent/Registrar”) for the Utility Bonds.

**See “MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS” on inside cover.**

The scheduled payment of principal of and interest on the Utility Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Utility Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY.**



The Utility Bonds constitute the initial series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing water, sewer, and drainage facilities to serve the District (the “Utility System”). See “THE UTILITY BONDS – Authority for Issuance.”

The Utility Bonds, when issued, will constitute valid and binding obligations of the District payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See “THE UTILITY BONDS – Source of Payment.” Prospective purchasers should review this entire Official Statement, including particularly the section of this Official Statement entitled “INVESTMENT CONSIDERATIONS,” before making an investment decision.

The Utility Bonds are offered, when, as and if issued by the District and accepted by the winning bidder of the Utility Bonds (the “Initial Purchaser”), subject, among other things, to the approval of the Attorney General of Texas and of Coats Rose, P.C., Bond Counsel. Certain legal matters will be passed on for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Disclosure Counsel. Delivery of the Utility Bonds through the facilities of DTC is expected on or about July 11, 2024.

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

**\$9,750,000 Unlimited Tax Utility Bonds, Series 2024**

**\$1,760,000 Serial Bonds**

<u>Maturity (July 1)</u>	<u>Principal Amount<sup>(d)</sup></u>	<u>Interest Rate</u>	<u>Initial Reoffering Yield<sup>(a)</sup></u>	<u>CUSIP No. 34687A<sup>(b)</sup></u>
2026	\$190,000	6.625%	3.700%	BA3
2027	205,000	6.625%	3.650%	BB1
2028	215,000	6.625%	3.600%	BC9
2029	230,000	6.625%	3.600%	BD7
****				
2033 <sup>(c)</sup>	290,000	5.000%	3.700%	BH8
2034 <sup>(c)</sup>	305,000	4.125%	3.800%	BJ4
2035 <sup>(c)</sup>	325,000	4.125%	3.900%	BK1

**\$7,990,000 Term Bonds<sup>(d)</sup>**

\$765,000 Term Bond Due July 1, 2032<sup>(c)(d)</sup> Interest Rate 6.625% Yield 3.650%<sup>(a)</sup> CUSIP 34687A BG0<sup>(b)</sup>  
\$710,000 Term Bond Due July 1, 2037<sup>(c)(d)</sup> Interest Rate 4.250% Yield 4.020%<sup>(a)</sup> CUSIP 34687A BM7<sup>(b)</sup>  
\$795,000 Term Bond Due July 1, 2039<sup>(c)(d)</sup> Interest Rate 4.125% Yield 4.125%<sup>(a)</sup> CUSIP 34687A BP0<sup>(b)</sup>  
\$895,000 Term Bond Due July 1, 2041<sup>(c)(d)</sup> Interest Rate 4.125% Yield 4.230%<sup>(a)</sup> CUSIP 34687A BR6<sup>(b)</sup>  
\$1,005,000 Term Bond Due July 1, 2043<sup>(c)(d)</sup> Interest Rate 4.250% Yield 4.330%<sup>(a)</sup> CUSIP 34687A BT2<sup>(b)</sup>  
\$1,130,000 Term Bond Due July 1, 2045<sup>(c)(d)</sup> Interest Rate 4.250% Yield 4.380%<sup>(a)</sup> CUSIP 34687A BV7<sup>(b)</sup>  
\$1,265,000 Term Bond Due July 1, 2047<sup>(c)(d)</sup> Interest Rate 4.250% Yield 4.400%<sup>(a)</sup> CUSIP 34687A BX3<sup>(b)</sup>  
\$1,425,000 Term Bond Due July 1, 2049<sup>(c)(d)</sup> Interest Rate 4.250% Yield 4.420%<sup>(a)</sup> CUSIP 34687A BZ8<sup>(b)</sup>

- (a) Information with respect to the initial reoffering yields of the Utility Bonds is the responsibility of the Initial Purchaser. 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 optional redemption date. Accrued interest is to be added to the price.
- (b) CUSIP numbers will be assigned to the Utility Bonds by 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 Utility Bonds.
- (c) Utility Bonds (including the Utility Term Bonds) maturing on July 1, 2031, 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 July 1, 2030, or on any date thereafter, at the par value thereof plus accrued interest to the date of redemption. See "THE UTILITY BONDS – Redemption Provisions – *Optional Redemption*."
- (d) The Utility Term Bonds (defined herein) are additionally subjected to mandatory sinking fund redemption prior to maturity. See "THE UTILITY BONDS – Redemption of the Utility 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 in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the District or the Initial Purchaser.

This Official Statement does not constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of any offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Coats Rose, P.C. for further information.

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 that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. However, the District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District, and to the extent that information actually comes to its attention, other matters described in the Official Statement until delivery of the Utility Bonds to the Initial Purchaser and thereafter only as specified in "CONTINUING DISCLOSURE OF INFORMATION" and "OFFICIAL STATEMENT – Updating of Official Statement."

**Build America Mutual Assurance Company ("BAM") makes no representation regarding the Utility Bonds or the advisability of investing in the Utility 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 the heading "MUNICIPAL BOND INSURANCE" and "APPENDIX B – Specimen Municipal Bond Insurance Policy."**

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 final official statement for any purpose.

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## **SALE AND DISTRIBUTION OF THE UTILITY BONDS**

### **Award of the Utility 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 (the “Initial Purchaser”) to purchase the Utility Bonds bearing the interest rates shown under “MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS” on the inside cover, at a price of 98.003573% of the par value thereof, which resulted in a net effective interest rate of 4.485339%, as calculated pursuant to Chapter 1204 of the Texas Government Code.

No assurance can be given that any trading market will be developed for the Utility Bonds after their sale by the District to the Initial Purchaser. The District has no control over the price at which the Utility Bonds are subsequently sold, and the initial yields at which the Utility Bonds are priced and reoffered are established by and are the sole responsibility of the Initial Purchaser.

### **Prices and Marketability**

The District has no control over the reoffering yields or prices of the Utility Bonds or over trading of the Utility Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Utility Bonds. If there is a secondary market, the difference between the bid and asked prices of the Utility 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 Utility Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser on or before the date of delivery of the Utility Bonds stating the prices at which a substantial amount of the Utility 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 or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Utility Bonds. Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser.

The prices and other terms with respect to the offering and sale of the Utility Bonds may be changed from time to time by the Initial Purchaser after the Utility Bonds are released for sale, and the Utility Bonds may be offered and sold at prices other than the initial reoffering prices, including sales to dealers who may sell the Utility Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE UTILITY BONDS, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE UTILITY 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 Utility Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Utility Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Utility Bonds been registered or qualified under the securities laws of any other jurisdictions. The District assumes no responsibility for registration or qualification of the Utility Bonds under the securities laws of any jurisdiction in which the Utility Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Utility 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 Utility Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy for the Utility Bonds (the “Bond Insurance Policy”). The Bond Insurance Policy guarantees the scheduled payment of principal of and interest on the Utility Bonds when due as set forth in the form of the Bond Insurance Policy included as an Appendix B to this Official Statement.

The Bond Insurance 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, 27<sup>th</sup> Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: [www.buildamerica.com](http://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 <https://www.spglobal.com/en/>. The rating of BAM should be evaluated independently. The rating reflects the S&P’s current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Utility 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 Utility Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Utility 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 Bond Insurance Policy), and BAM does not guarantee the market price or liquidity of the Utility Bonds, nor does it guarantee that the rating on the Utility Bonds will not be revised or withdrawn.

### *Capitalization of BAM*

BAM’s total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2024 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$483.2 million, \$221.8 million and \$261.9 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](http://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 Utility Bonds or the advisability of investing in the Utility 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 “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](http://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](http://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 Utility 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 Utility Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Utility Bonds, whether at the initial offering or otherwise.

### **RATING**

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 Utility Bonds are expected to receive an insured rating of "AA" (stable outlook) from S&P.

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 their judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Utility Bonds.

*[Remainder of this page intentionally left blank.]*



## OFFICIAL STATEMENT SUMMARY

The following material is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in the Official Statement. The offering of the Utility Bonds (herein defined) to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

### THE UTILITY BONDS

The Issuer .....	The District was created by order of the Texas Commission on Environmental Quality dated March 16, 2006. The District contains approximately 350 acres. Pursuant to an Order Excluding Certain Land and Including Certain Land in the District adopted by the District’s Board of Directors, the District contains approximately 351.4 acres effective May 21, 2024. See “THE DISTRICT – General.”
Description of the Utility Bonds.....	The \$9,750,000 Unlimited Tax Utility Bonds, Series 2024 (the “Utility Bonds”) are dated July 1, 2024 (the “Dated Date”), and will accrue interest from the date of delivery, which is expected to be on or about July 11, 2024 (the “Date of Delivery”), with interest payable January 1, 2025, and on each July 1 and January 1 thereafter (each an “Interest Payment Date”) until the earlier of maturity or earlier redemption and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Utility Bonds are offered in fully registered form in integral multiples of \$5,000 of principal amount for any one maturity. See “THE UTILITY BONDS – General.”
Redemption.....	Utility Bonds maturing on or after July 1, 2031, are subject to redemption, in whole or from time to time in part, at the option of the District on July 1, 2030, and any date thereafter at a price of par plus accrued interest to the date of redemption. See “THE UTILITY BONDS – Redemption Provisions.”
Source of Payment.....	Principal of and interest on the Utility Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, levied upon all taxable property within the District without legal limitation as to rate or amount. <b>The Utility Bonds are obligations solely of the District, and are not obligations of the State of Texas, the County, the City of Fulshear, Texas (the “City”), or any entity other than the District.</b> See “THE UTILITY BONDS – Source of Payment.”
Authority for Issuance .....	The Utility Bonds constitute the initial series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing water, sewer, and drainage facilities to serve the District (the “Utility System”). Voters in the District have authorized a total of \$205,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System and \$102,500,000 in principal amount of unlimited tax bonds for refunding such bonds; \$95,000,000 principal amount of unlimited tax bonds for the purpose of acquiring and/or constructing a road system to serve the District (the “Road System”) and \$47,500,000 in principal amount of unlimited tax bonds for refunding such bonds; and \$35,000,000 principal amount of unlimited tax bonds for acquiring and/or constructing recreational or park facilities in the District and \$17,500,000 in principal amount of unlimited tax bonds for refunding such bonds.

Following the issuance of the Utility Bonds: \$195,250,000 principal amount of unlimited tax bonds for the purpose of acquiring and/or constructing the Utility System to serve the District and \$102,500,000 in principal amount of unlimited tax bonds for refunding such bonds; \$90,000,000 principal amount of unlimited tax bonds for the purpose of acquiring and/or constructing the Road System and \$47,500,000 in principal amount of unlimited tax bonds for refunding such bonds; and \$35,000,000 principal amount of unlimited tax bonds for acquiring and/or constructing recreational or park facilities in the District and \$17,500,000 in principal amount of unlimited tax bonds for refunding such bonds, will remain authorized and unissued. The Utility Bonds, when issued, will constitute legal, valid and binding obligations of the District, payable from the proceeds of a continuing direct annual ad valorem tax, levied upon all taxable property within the District without legal limitation as to rate or amount. See “THE UTILITY BONDS – Source of Payment.”

The Utility Bonds are issued pursuant to Chapter 8470 of the Texas Special District Local Laws Code; Article XVI, Section 59 of the Texas Constitution; the order of the Board authorizing the issuance of the Utility Bonds (the “Utility Bond Order”); an election held on November 2, 2021; and the general laws of Texas, including Chapters 49 and 54, Texas Water Code, as amended. See “THE UTILITY BONDS – Authority for Issuance” and “THE UTILITY BONDS – Issuance of Additional Debt.”

Outstanding Road Bonds.....The District previously issued its \$5,000,000 Unlimited Tax Road Bonds, Series 2023 of which \$5,000,000 principal amount remains outstanding as of June 1, 2024 (the “Outstanding Road Bonds”).

Use of Bond Proceeds.....A portion of the proceeds of the sale of the Utility Bonds will be used to reimburse the Developer for the construction costs set out under “USE AND DISTRIBUTION OF BOND PROCEEDS.” In addition, a portion of the proceeds from the sale of the Utility Bonds will be used to pay developer interest and other certain costs associated with the issuance of the Utility Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

Not Qualified Tax-Exempt Obligations.....The Utility Bonds will not be designated as “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS – Not Qualified Tax-Exempt Obligations.”

Municipal Bond Insurance.....Build America Mutual Assurance Company (“BAM”). See “MUNICIPAL BOND INSURANCE.”

Rating .....S&P Global Ratings (BAM Insured) – “AA.” See “RATINGS.”

Bond Counsel .....Coats Rose, P.C., Houston, Texas.

Disclosure Counsel .....Orrick, Herrington & Sutcliffe LLP, Houston, Texas.

Financial Advisor .....Tierra Financial Advisors, LLC, Arlington, Texas (“Tierra”). Tierra is a wholly-owned subsidiary of D.R. Horton Inc., the primary developer of land in the District. See “RELATIONSHIP AMONG THE PARTIES” herein.

District Engineer.....LJA Engineering, Inc., Houston, Texas.

### **THE DISTRICT**

The Issuer .....The District was created by order of the Texas Commission on Environmental Quality dated March 16, 2006. The District contains approximately 351.4 acres. See “THE DISTRICT – General.”

Location.....The District is within the County, approximately 30 miles west of the downtown of the City of Houston, Texas. The District is approximately 12 miles south of the intersection of Interstate 10 and FM 1463, and approximately 6 miles west of the intersection of State Highway 99 and Westheimer Parkway. The District is bordered by FM 1463 on the east and Texas Heritage Parkway to the west, which provide direct access for residents. The District is located entirely within Fort Bend County, Texas, the extraterritorial jurisdiction of the City, and the boundaries of Lamar Consolidated Independent School District. See “THE DISTRICT.”

Developer and Principal Landowners.....The developer and principal landowner within the District is D.R. Horton – Texas, Ltd., a Texas Limited partnership, which is controlled by D.R. Horton, Inc., a Delaware corporation, a publicly traded corporation (collectively referred to herein as “D.R. Horton” or the “Developer”). As of May 15, 2024, D.R. Horton owned approximately 3 homes, 0 lots, and all of the remaining undeveloped land within the District. See “DEVELOPER AND PRINCIPAL LANDOWNERS.”

Development within the District.....Approximately 351.4 acres (856 lots) within the District have been developed as the single-family residential subdivisions of Tamarron, Sections 40-42, 45A, 45B, 48, 52 & 55. As of May 15, 2024, the District consisted of 848 complete and occupied homes; 3 complete and unoccupied homes; 5 homes under construction; 0 vacant developed lots; 0 lots under development; and 0 lots under design. In addition, the District contains zero undeveloped but developable acres and approximately 80 undevelopable acres. See “DEVELOPMENT WITHIN THE DISTRICT.”

Homebuilders Within the District.....The Homebuilder active within the District is D.R. Horton. Prices of new homes being constructed within the District range from approximately \$333,000 to over \$467,000. Square footage of new homes being constructed within the District range from approximately 1,253 square feet to over 2,748 square feet. See “DEVELOPMENT WITHIN THE DISTRICT – Homebuilders Active Within the District.”

### **INVESTMENT CONSIDERATIONS**

THE UTILITY BONDS ARE SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS. PROSPECTIVE PURCHASERS SHOULD CAREFULLY REVIEW THIS ENTIRE OFFICIAL STATEMENT, INCLUDING PARTICULARLY THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED “INVESTMENT CONSIDERATIONS,” BEFORE MAKING THEIR INVESTMENT DECISION.

**SELECTED FINANCIAL INFORMATION  
(UNAUDITED)**

2023 Certified Assessed Valuation .....	\$ 164,568,320 <sup>(a)</sup>
2024 Preliminary Assessed Valuation.....	\$ 290,191,327 <sup>(b)</sup>
<b>Direct Debt:</b>	
The Outstanding Road Bonds (as of May 1, 2024).....	\$ 5,000,000
The Utility Bonds.....	\$ 9,750,000
Total.....	<u>\$ 14,750,000</u>
Estimated Overlapping Debt.....	<u>\$ 17,344,855 <sup>(c)</sup></u>
Total Direct and Estimated Overlapping Debt.....	<u>\$ 32,094,855 <sup>(c)</sup></u>
<b>Direct Debt Ratio:</b>	
As a percentage of 2023 Certified Assessed Valuation.....	8.95 %
As a percentage of 2024 Preliminary Assessed Valuation.....	5.08 %
<b>Direct and Estimated Overlapping Debt Ratio:</b>	
As a percentage of 2023 Certified Assessed Valuation.....	19.47 %
As a percentage of 2024 Preliminary Assessed Valuation.....	11.06 %
Utility System Debt Service Fund (as of May 13, 2024) .....	\$ 451,769 <sup>(d)</sup>
Road System Debt Service Fund (as of May 13, 2024) .....	\$ 35,969 <sup>(e)</sup>
Utility System Capital Projects Fund (as of May 13, 2024).....	\$ -
Road System Capital Projects Fund (as of May 13, 2024).....	\$ 14,744
Operating Fund (as of May 13, 2024).....	\$ 52,389
<b>2023 Tax Rate:</b>	
Utility System Debt Service.....	\$ -
Road System Debt Service.....	\$ 0.170
Maintenance and Operations.....	\$ 1.000
Total.....	<u>\$ 1.170</u>
Average Annual Debt Service Requirements on the Outstanding Road Bonds and the Utility Bonds (2024 - 2049) .....	\$ 964,684 <sup>(f)</sup>
Maximum Annual Debt Service Requirements on the Outstanding Road Bonds and the Utility Bonds (2048).....	\$ 1,140,563 <sup>(f)</sup>
<b>Utility System Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirement on the Outstanding Road Bonds and the Utility Bonds (2024 - 2049):</b>	
Based on 2023 Assessed Valuation at 95% Collections .....	\$ 0.62
Based on 2024 Preliminary Assessed Valuation, at 95% Collections.....	\$ 0.35
<b>Utility System Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement on the Outstanding Road Bonds and the Utility Bonds (2048):</b>	
Based on 2023 Assessed Valuation at 95% Collections .....	\$ 0.73
Based on 2024 Preliminary Assessed Valuation, at 95% Collections.....	\$ 0.42

- (a) Represents the assessed valuation of all taxable property in the District as of January 1, 2023, 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 is an estimate of the taxable value of all taxable property located within the District as of January 1, 2024, and includes an estimate of additional taxable value resulting from the construction of taxable improvements from January 1, 2023 to January 1, 2024. No taxes will be levied on this estimated value until certified by the Appraisal District. See "TAX DATA" and "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement."
- (d) Neither Texas law nor the Utility Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund. The Funds on deposit in the Utility System Debt Service Fund are pledged only to pay the debt service on the Utility Bonds and any other bonds issued for the purpose of acquiring or constructing the Utility System. The Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Road System. Upon the issuance of the Utility Bonds, one year of capitalized interest will be deposited into the Utility System Debt Service Fund.
- (e) Neither Texas law nor the Road Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. The Funds on deposit in the Road System Debt Service Fund are pledged only to pay the debt service on the Road Bonds and any other bonds issued for the purpose of acquiring or constructing the Road System. The Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Utility System.
- (f) See "DISTRICT DEBT –Utility System Debt Service Requirement Schedule."

**\$9,750,000**  
**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 188**  
**UNLIMITED TAX UTILITY BONDS**  
**SERIES 2024**

**INTRODUCTION**

This Official Statement provides certain information with respect to the issuance by Fort Bend County Municipal Utility District No. 188 (the “District”) of its \$9,750,000 Unlimited Tax Utility Bonds, Series 2024 (the “Utility Bonds”).

The Utility Bonds are issued and sold to the initial purchaser of the Utility Bonds (the “Initial Purchaser”) pursuant to Chapter 8470 of the Texas Special District Local Laws Code; Article III, Section 52 of the Texas Constitution; the order of the Board authorizing the issuance of the Utility Bonds (the “Utility Bond Order”); an election held on November 2, 2021; and the general laws of Texas, including Chapters 49 and 54, Texas Water Code, as amended.

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Utility Bond Order.

Included in this Official Statement are descriptions of the Utility Bonds and certain information about the District and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the District at Coats Rose, P.C., 9 Greenway Plaza, Suite 1000, Houston, Texas 77046 or during the offering period from the District’s Financial Advisor, Tierra Financial Advisors, LLC, Attn: Chris Prugar, 6744 Horton Vista Drive, Richmond, Texas 77407 upon payment of reasonable copying, mailing and handling charges.

**THE UTILITY BONDS**

**General**

The Utility Bonds are dated July 1, 2024 (the “Dated Date”), and will accrue interest from the date of delivery, which is expected to be on or about July 11, 2024 (the “Date of Delivery”), with interest payable January 1, 2025, and on each July 1 and January 1 thereafter (each an “Interest Payment Date”) until the earlier of maturity or redemption. Interest on the Utility Bonds will be payable by check dated as of the Interest Payment Date and mailed by the Paying Agent/Registrar to registered owners (“Registered Owners”) as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each Interest Payment Date (the “Record Date”). The Utility Bonds will be issued in fully registered form only, without coupons, in principal denomination of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., nominee for The Depository Trust Company, New York, New York (“DTC”), acting as securities depository for the Utility Bonds until DTC resigns or is discharged. The Utility Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Utility Bonds, principal of and interest on the Utility Bonds will be payable to DTC, which will be solely responsible for making such payment to the beneficial owners of the Utility Bonds. The initial paying agent for the Utility Bonds is Regions Bank, an Alabama state banking corporation, in Houston, Texas (the “Paying Agent/Registrar”).

**Redemption Provisions**

*Optional Redemption*

The Utility Bonds maturing on and after July 1, 2031, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on July 1, 2030, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption.

The Paying Agent/Registrar shall give written notice of redemption, by registered mail, overnight delivery, or other comparably secure means, not less than thirty (30) days prior to the redemption date, to each registered securities depository (and to each national information service that disseminates redemption notices) known to the Paying Agent/Registrar, but neither the failure to give such notice nor any defect therein shall affect the sufficiency of notice given to the registered owner as hereinabove stated. The Paying Agent/Registrar may provide written notice of redemption to DTC by facsimile.

The Utility Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Utility Bonds of the same maturity for the unredeemed portion of the principal of the Utility Bonds so surrendered. In the event of redemption of less than all of the Utility Bonds, the particular Utility Bonds to be redeemed shall be selected by the District; if less than all of the Utility Bonds of a particular maturity are to be redeemed; the Paying Agent/Registrar is required to select the Utility Bonds of such maturity to be redeemed by lot.

Mandatory Redemption

The Utility Term Bonds maturing on July 1, 2032, July 1, 2037, July 1, 2039, July 1, 2041, July 1, 2043, July 1, 2045, July 1, 2047, and July 1, 2049 (the "Utility Term Bonds") shall be subject to mandatory sinking fund redemption as shown on the tables below.

**\$765,000 Utility Term Bonds, due July 1, 2032**

<b><u>Mandatory Redemption Date</u></b>	<b><u>Principal Amount</u></b>
July 1, 2030	\$240,000
July 1, 2031	\$255,000
July 1, 2032 (maturity)	\$270,000

**\$710,000 Utility Term Bonds, due July 1, 2037**

<b><u>Mandatory Redemption Date</u></b>	<b><u>Principal Amount</u></b>
July 1, 2036	\$345,000
July 1, 2037 (maturity)	\$365,000

**\$795,000 Utility Term Bonds, due July 1, 2039**

<b><u>Mandatory Redemption Date</u></b>	<b><u>Principal Amount</u></b>
July 1, 2038	\$385,000
July 1, 2039 (maturity)	\$410,000

**\$895,000 Utility Term Bonds, due July 1, 2041**

<b><u>Mandatory Redemption Date</u></b>	<b><u>Principal Amount</u></b>
July 1, 2040	\$435,000
July 1, 2041 (maturity)	\$460,000

**\$1,005,000 Utility Term Bonds, due July 1, 2043**

<b><u>Mandatory Redemption Date</u></b>	<b><u>Principal Amount</u></b>
July 1, 2042	\$490,000
July 1, 2043 (maturity)	\$515,000

**\$1,130,000 Utility Term Bonds, due July 1, 2045**

<b><u>Mandatory Redemption Date</u></b>	<b><u>Principal Amount</u></b>
July 1, 2044	\$550,000
July 1, 2045 (maturity)	\$580,000

**\$1,265,000 Utility Term Bonds, due July 1, 2047**

<b><u>Mandatory Redemption Date</u></b>	<b><u>Principal Amount</u></b>
July 1, 2046	\$615,000
July 1, 2047 (maturity)	\$650,000

**\$1,425,000 Utility Term Bonds, due July 1, 2049**

<b><u>Mandatory Redemption Date</u></b>	<b><u>Principal Amount</u></b>
July 1, 2048	\$690,000
July 1, 2049 (maturity)	\$735,000

On or before thirty (30) days prior to each Mandatory Redemption Date set forth above, the Paying Agent/Registrar shall (i) determine the principal amount of such Utility 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 Utility Term Bonds or portions of the Utility 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 Resolution. The principal amount of the Utility 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 section.

**Registration, Transfer and Exchange**

In the event the Book-Entry-Only system is discontinued, the Utility 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 in Houston, Texas. A Bond may be assigned by the execution of an assignment form on the Utility 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 of the Utility Bonds (the "Bondholder(s)"). The Utility Bonds are exchangeable upon presentation at the designated office(s) of the Paying Agent/Registrar, for an equal principal amount of Utility Bonds of the same maturity in authorized denominations. To the extent possible, new Utility Bonds issued in exchange or transfer of Utility Bonds will be delivered to the Bondholder or assignee of the Bondholder 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 Utility Bonds. New Utility 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 maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Utility Bond or Utility 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 fifteen (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 thirty (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.

**Record Date for Interest Payment**

Interest on the Utility Bonds will be paid to the registered owner appearing on the registration and transfer books of the Paying Agent/Registrar at the close of business on the "Record Date" (the fifteenth calendar day of the month next preceding each Interest Payment Date) and shall be paid by the Paying Agent/Registrar (i) by check sent United States mail, first class postage prepaid, to the address of the registered owner recorded in the registration and transfer books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal or interest on the Utility Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the principal payment office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday,

or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

### **Mutilated, Lost, Stolen or Destroyed Utility Bonds**

In the event the Book-Entry-Only System should be discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Utility Bonds upon surrender of the mutilated Utility Bonds, or on receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and 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.

### **Replacement of Paying Agent/Registrar**

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

### **Source of Payment**

While the Utility Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are assessed, levied and collected, in each year, beginning with the current year, a continuing direct annual ad valorem tax, without legal limit as to rate or amount, upon all taxable property in the District sufficient to pay the interest on the Utility Bonds as the same becomes due and to pay each installment of the principal of the Utility Bonds as the same matures, with full allowance being made for delinquencies and cost of collection. In the Utility Bond Order, the District covenants that said taxes are irrevocably pledged to the payment of the interest and principal of the Utility Bonds and any parity bonds hereinafter issued. The Utility Bonds are obligations of the District and are not the obligations of the State of Texas, Fort Bend County, Texas (the "County"), the City of Fulshear, Texas (the "City"), or any other political subdivision or any entity other than the District.

### **Outstanding Road Bonds**

The District previously issued \$5,000,000 Unlimited Tax Road Bonds, Series 2023 (the "Outstanding Road Bonds").

### **Payment Record**

The Utility Bonds represent the second series of bonds issued by the District and the first issuance of bonds for the purpose of acquiring or constructing water, sewer, and drainage facilities to serve the District (the "Utility System"). The District has never defaulted on the timely payment of principal or interest on its bonded indebtedness.

### **Authority for Issuance**

The District's voters have authorized the District's issuance of \$205,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System and \$102,500,000 in principal amount of unlimited tax bonds for refunding such bonds; \$95,000,000 principal amount of unlimited tax bonds for the purpose of acquiring and/or constructing a road system to serve the District (the "Road System") and \$47,500,000 in principal amount of unlimited tax bonds for refunding such bonds; and \$35,000,000 principal amount of unlimited tax bonds for acquiring and/or constructing recreational or park facilities in the District (the "Park System") and \$17,500,000 in principal amount of unlimited tax bonds for refunding such bonds.



Following the issuance of the Utility Bonds, \$195,250,000 principal amount of unlimited tax bonds for the purpose of acquiring and/or constructing the Utility System to serve the District and \$102,500,000 in principal amount of unlimited tax bonds for refunding such bonds; \$90,000,000 principal amount of unlimited tax bonds for the purpose of acquiring and/or constructing the Road System and \$47,500,000 in principal amount of unlimited tax bonds for refunding such bonds; and \$35,000,000 principal amount of unlimited tax bonds for acquiring and/or constructing the Park System and \$17,500,000 in principal amount of unlimited tax bonds for refunding such bonds, will remain authorized and unissued. The Utility Bonds, when issued, will constitute legal, valid and binding obligations of the District, payable from the proceeds of a continuing direct annual ad valorem tax, levied upon all taxable property within the District without legal limitation as to rate or amount. See “THE UTILITY BONDS – Source of Payment.”

The Utility Bonds are issued pursuant to Chapter 8470 of the Texas Special District Local Laws Code; Article XVI, Section 59 of the Texas Constitution; the order of the Board authorizing the issuance of the Utility Bonds (the “Utility Bond Order”); an election held on November 2, 2021; and the general laws of Texas, including Chapters 49 and 54, Texas Water Code, as amended.

### **Issuance of Additional Debt**

Voters in the District have authorized a total of \$205,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System and \$102,500,000 in principal amount of unlimited tax bonds for refunding such bonds; \$95,000,000 principal amount of unlimited tax bonds for the purpose of acquiring and/or constructing the Road System and \$47,500,000 in principal amount of unlimited tax bonds for refunding such bonds; and \$35,000,000 principal amount of unlimited tax bonds for acquiring and/or constructing the Park System and \$17,500,000 in principal amount of unlimited tax bonds for refunding such bonds.

Following the issuance of the Utility Bonds, the District will owe D.R. Horton – Texas, Ltd., a Texas Limited partnership (“D.R. Horton” or the “Developer”), approximately \$17.9 million for its expenditures to construct or acquire the Utility System and approximately \$8.9 million for its expenditures to construct or acquire the Road System, the funds of which were advanced by the Developer.

Based on present engineering cost estimates and on development plans supplied by the Developer, in the opinion of the District’s consulting engineer, LJA Engineering, Inc. (the “Engineer”), following the issuance of the bonds, the District will have adequate authorized but unissued bonds to repay the Developer the remaining amounts owed for the existing Utility System, and to finance the extension of the Road System to serve the remaining undeveloped land within the District. See “DEVELOPMENT WITHIN THE DISTRICT,” “THE ROAD SYSTEM,” and “INVESTMENT CONSIDERATIONS – Future Debt.”

### **Bondholders’ Remedies**

The Utility Bond Order contains a covenant that while any part of the Utility Bonds is outstanding, there shall be assessed, levied, and collected an annual ad valorem tax, without legal limit as to rate or amount, on all taxable property within the District, sufficient to pay principal of and interest on the Utility Bonds, the Outstanding Utility Bonds, and any additional tax bonds when due and to pay the expenses necessary in collecting taxes. Texas law and the Utility Bond Order provide that in the event that the District defaults in the payment of the principal of or interest on any of the Utility Bonds when due, fails to make debt service payments, or defaults in the observance or performance of any of the covenants, conditions, or obligations set forth in the Utility Bond Order, any Bondholder shall be entitled at any time to a writ of mandamus from a court of competent jurisdiction compelling and requiring the Board to observe and perform any covenant, obligation, or condition prescribed by the Utility Bond Order. Such right is in addition to all other rights the Bondholders may be provided by the laws of the State of Texas.

Except for mandamus, the Utility Bond Order does not specifically provide for remedies to a Bondholder 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 Bondholders. There is no acceleration of maturity of the Utility Bonds in the event of default. Consequently, the remedy of mandamus is a remedy which may have to be relied upon from year to year by the Bondholders. Even if the Bondholders could obtain a judgment against the District, such judgment could not be enforced by direct levy and execution against the District’s property. Further, the Bondholders cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Utility Bonds. Certain

traditional legal remedies also may be unavailable. The enforceability of the rights and remedies of the Bondholders may be further limited by federal bankruptcy laws, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District.

### **Defeasance**

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

Upon such deposit as described above, such Utility 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 Utility Bonds have been made as described above, all rights of the District to initiate proceedings to call the Utility Bonds for redemption or take any other action amending the terms of the Utility Bonds are extinguished; provided, however, that the right to call the Utility 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 Utility Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Utility 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 Utility Bonds.

### **Legal Investment and Eligibility to Secure Public Funds in Texas**

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

- (a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic.
- (b) A district's bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any unmatured interest coupons attached to them.

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

No representation is made that the Utility 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 Utility Bonds for any of the foregoing purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Utility Bonds as to the suitability or acceptability of the Utility Bonds for investment or collateral purposes.

### **BOOK-ENTRY-ONLY SYSTEM**

*This section describes how ownership of the Utility Bonds is to be transferred and how the principal of and interest on the Utility Bonds are to be paid to and credited by DTC while the Utility Bonds are registered in its nominee's name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

*The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Utility Bonds, or redemption or other notices, to DTC Participant, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Utility Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission (the "SEC"), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.*

DTC will act as securities depository for the securities. The Utility 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 fully-registered Bond certificate will be issued for each of the Utility Bonds, each in the aggregate principal amount of such issue, 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 ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Utility Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Utility Bonds on DTC's records. The ownership interest of each actual purchase of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership

interests in the Utility 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 Utility Bonds, except in the event that use of the book-entry system for the Utility Bonds is discontinued.

To facilitate subsequent transfers, all Utility 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 Utility 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 Utility Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Utility 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 Utility 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 Utility Bonds unless authorized by a Direct Participant in accordance with DTC's Money Market Instrument ("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 Utility Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Utility 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 District or Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with 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 District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments on the Utility Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or 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 Utility Bonds at any time by giving reasonable notice to District or 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.

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

The information in the section concerning DTC and DTC's book-entry system has been obtained from sources that District believes to be reliable, but 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 Utility Bonds are in the book-entry form, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Utility Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry system, and (ii) except as described above, notices that are to be given to registered owners under the Utility Bond Order will be given only to DTC.

**USE AND DISTRIBUTION OF BOND PROCEEDS**

A portion of the proceeds of the sale of the Utility Bonds will be used to reimburse the Developer for the construction costs set out below. In addition, a portion of the proceeds from the sale of the Utility Bonds will be used to pay developer interest and other certain costs associated with the issuance of the Utility Bonds. Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and the Financial Advisor (hereinafter defined). 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 District’s auditor.

<u><b>Construction Costs</b></u>	<u><b>District’s Share</b></u>
Developer Contribution Items	
1. FBC MUD 182 Wastewater Treatment Plant Expansion Phase V	\$ 4,241,640
2. Water Plant Phase 1	3,636,629
3. Engineering Fees - Wastewater Treatment Plant Expansion Phase V	572,621
4. SWPPP Fees - Wastewater Treatment Plant Expansion Phase V	21,208
5. Testing Fees - Wastewater Treatment Plant Expansion Phase V	42,416
<b>Total Developer Contribution Items</b>	<b>\$ 8,514,515</b>
<b>Total Construction Costs</b>	<b>\$ 8,514,515</b>
<u><b>Non-Construction Costs</b></u>	
A. Legal Fees	\$ 155,625
B. Fiscal Agent Fees	97,500
C. Interest Costs	
1. Developer Interest	15,376
2. Capitalized Interest	451,769
D. Bond Discount	195,000
E. Developer Advances	70,853
F. Bond Issuance Expenses	47,256
G. Bond Application Costs	35,000
H. Attorney General Fee	9,500
I. TCEQ Bond Issue Fee	24,375
J. Contingency	133,231
<b>Total Non-Construction Costs</b>	<b>\$ 1,235,485</b>
<b>TOTAL BOND ISSUE REQUIREMENT</b>	<b>\$ 9,750,000</b>

In the instance that 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.

*[Remainder of this page intentionally left blank.]*

## THE DISTRICT

### General

The District is a political subdivision of the State of Texas, operating as a municipal utility district pursuant to Article XVI, Section 59 of the Texas Constitution and Chapter 8470 of the Texas Special District Local Laws Code. The District is vested with all the rights, privileges, authority and functions conferred by the laws of the State of Texas applicable to municipal utility districts, including without limitation to those conferred by Chapters 49 and 54, Texas Water Code, as amended. The District is subject to the continuing supervision of the Texas Commissioner on Environmental Quality (the “TCEQ”).

The District is empowered 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, among other things. The District is also empowered to finance certain road improvements, and park and recreational facilities as long as they meet the County, and City criteria. The District may also provide solid waste collection and disposal service and operate, maintain and construct recreational facilities.

### Description

The District encompasses approximately 351.4 acres and is located entirely within the County, the extraterritorial jurisdiction (“ETJ”) of the City, and the boundaries of Lamar Consolidated Independent School District (“LCISD”).

### Location

The District is within the County, approximately 30 miles west of the downtown of the City of Houston, Texas (“Houston”). The District is approximately 12 miles south of the intersection of Interstate 10 and FM 1463, and approximately 6 miles west of the intersection of State Highway 99 and Westheimer Parkway. The District is bordered by FM 1463 on the east and Texas Heritage Parkway to the west, which provide direct access for residents. The District is entirely within the County and the ETJ of the City, and within LCISD.

### Management of the District

- Board of Directors -

The District is governed by a board, consisting of five directors (the “Board”), which has control over and management and supervision of all affairs of the District. Directors serve staggered four-year terms, with elections held in May of each even numbered year. All of the directors own property in the District. The present members and officers of the Board listed below:

Name	Position	Term Expires May
Stephanie Hardin	President	2026
Rebecca Kerr	Vice President	2028
Tracy Butcher	Secretary	2026
Anthony Hariri	Assistant Secretary	2026
Kenrick Piercy	Assistant Secretary	2028

- Consultants -

**Tax Assessor/Collector** – The District’s tax assessor/collector is Assessments of the Southwest (the “Tax Assessor/Collector”). Such firm serves as tax assessor/collector for approximately 50 other taxing jurisdictions. The Tax Assessor/Collector applies the District’s tax levy to tax rolls prepared by the Fort Bend Central Appraisal District (the “Appraisal District”) and bills and collects such levy.

**Bookkeeper** – The District’s bookkeeper is Myrtle Cruz Inc.

**System Operator** – The District’s current operator is SiEnvironmental.

**Auditor** – As required by the Texas Water Code, the District retains an independent auditor to audit the District’s financial statements annually, which annual audit is filed with the TCEQ. McGrath & Co., PLLC audited the financial statements of the District for the fiscal year ended June 30, 2023. See “APPENDIX A.”

**Engineer** – The consulting engineer retained by the District in connection with the design and construction of the District’s facilities is LJA Engineering, Inc. (the “Engineer”).

**Bond Counsel** – The District has engaged Coats Rose, P.C., Houston, Texas, as bond counsel (“Bond Counsel”) in connection with the issuance of the Utility Bonds. The fees of Bond Counsel are contingent upon the sale and delivery of the Utility Bonds. Coats Rose, P.C., Houston, Texas, also serves as the District’s general counsel.

**Disclosure Counsel** – The District has engaged Orrick, Herrington & Sutcliffe LLP, Houston, Texas, as disclosure counsel in connection with the issuance of the Utility Bonds. The fees of disclosure counsel are contingent upon the sale and delivery of the Utility Bonds.

**Financial Advisor** – Tierra Financial Advisors, LLC is engaged as the financial advisor (the “Financial Advisor”) to the District in connection with the issuance of the Utility Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the Utility Bonds is contingent upon the issuance and delivery of the Utility Bonds. The Financial Advisor is employed by the District and has participated in the preparation of this Official Statement, however, 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 in this Official Statement that has been supplied or provided by third-parties. Tierra Financial Advisors, LLC is a wholly owned subsidiary of D.R. Horton. See “RELATIONSHIP AMONG THE PARTIES” herein.

## **DEVELOPER AND PRINCIPAL LANDOWNERS**

### **The 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 subdivision, designing the utilities and streets to be constructed in the subdivision, 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 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 most instances, the developer will be required to pay up to thirty percent (30%) of the cost of constructing certain of the water, wastewater, and drainage facilities in a municipal utility district pursuant to the rules of the TCEQ. The relative success or failure of a developer to perform such activities in development of the property within a municipal utility district may have a profound effect on the security of the unlimited tax bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in a district. 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 ordinarily a major taxpayer within a municipal utility district during the development phase of the property.

Prospective purchasers of the Utility 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 entities, are obligated to pay principal of or interest on the Utility Bonds. Furthermore, neither the Developer, nor any affiliate entities, have 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 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 and Principal Landowners**

The developer/principal Landowner within the District is D.R. Horton-Texas, Ltd., a Texas limited partnership, which is a subsidiary of and controlled by D.R. Horton, Inc. D.R. Horton, Inc. is a publicly traded corporation whose stock is listed on the New York Stock Exchange as "DHI". Audited financial statements for D.R. Horton, Inc. can be found online at <https://investor.drhorton.com>. D.R. Horton, Inc. is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the SEC. Reports, proxy statements and other information filed by D.R. Horton, Inc. can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at <http://www.sec.gov> that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC.

Certain financial information concerning the Developer is included as part of the consolidated financial statements of D.R. Horton, Inc. However, D.R. Horton, Inc. is not legally obligated to provide funds for the development of the District, to provide funds to pay taxes on property within the District owned by the Developer, or to pay any other obligations of the District. Further, neither the Developer nor D.R. Horton, Inc. is responsible for, is liable for or has made any commitment for payment of the Utility Bonds or other obligations of the District, and the inclusion of such financial statements and description of financial arrangements herein should not be construed as an implication to that effect. Neither the Developer nor D.R. Horton, Inc. has any legal commitment to the District or owners of the Utility Bonds to continue development of the land within the District and the Developer may sell or otherwise dispose of its property within the District, or any other assets, at any time. Further, the financial condition of the Developer and D.R. Horton, Inc. is subject to change at any time. Because of the foregoing, financial information concerning the Developer and D.R. Horton, Inc. will neither be updated nor provided following issuance of the Utility Bonds, except as described under "CONTINUING DISCLOSURE OF INFORMATION."

As of May 15, 2024, D.R. Horton owned approximately 3 homes, 0 lots, and all of the remaining undeveloped land within the District.

## **DEVELOPMENT WITHIN THE DISTRICT**

### **Current Status of Development**

Approximately 351.4 acres (856 lots) within the District have been developed as the single-family residential subdivisions of Tamarron, Sections 40-42, 45A, 45B, 48, 52 & 55. As of May 15, 2024, the District consisted of 848 complete and occupied homes; 3 complete and unoccupied homes; 5 homes under construction; 0 vacant developed lots; 0 lots under development; and 0 lots under design. In addition, the District contains zero undeveloped but developable acres and approximately 80 undevelopable acres.

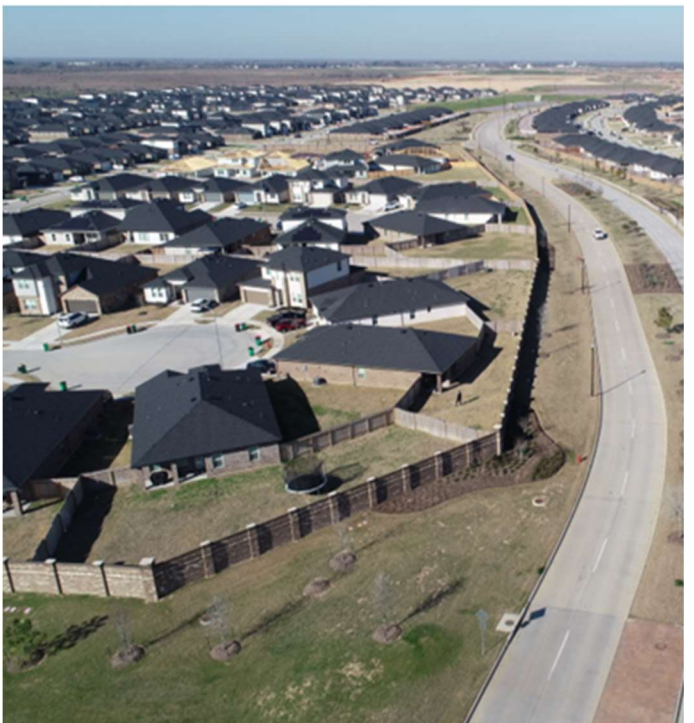
### **Homebuilders Active Within the District**

The Homebuilder active within the District is D.R. Horton. Prices of new homes being constructed within the District range from approximately \$333,000 to over \$467,000. Square footage of new homes being constructed within the District range from approximately 1,253 square feet to over 2,748 square feet.

300 homes were sold in 2022, 336 homes were sold in 2023, and approximately 135 homes have been sold in 2024.



**PHOTOGRAPHS TAKEN WITHIN THE DISTRICT**  
**(FEBRUARY 2024)**





**AERIAL PHOTOGRAPH OF THE DISTRICT**



## TAX DATA

### General

Taxable property within the District is subject to the assessment, levy and collection by the District of a continuing direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Utility Bonds (and any future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Utility Bond Order to assess and levy for each year that all or any part of the Utility Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Utility Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, in an amount not to exceed \$1.50 per \$100 of assessed valuation for operation and maintenance purposes. In 2022, the Board levied a maintenance and operation tax of \$1.17 per \$100 of assessed valuation. For 2023, the Board levied a maintenance and operation tax of \$1.00 per \$100 of assessed valuation and a Road System debt service tax of \$0.17 per \$100 of assessed valuation.

### Tax Rate Limitation

Debt Service:	Unlimited (no legal limit as to rate or amount).
System Maintenance:	\$1.50 per \$100 of Assessed Valuation.
Road System Maintenance:	\$1.50 per \$100 of Assessed Valuation.
Parks and Recreational Maintenance:	\$0.10 per \$100 of Assessed Valuation.

### Debt Service Tax

The Board covenants in the Utility Bond Order to levy and assess, for each year that all or any part of the Utility Bonds remain outstanding and unpaid, taxes adequate to provide funds to pay the principal of and interest on the Utility Bonds. For the 2022 tax year, the Board did not levy a tax rate for payment of debt service. For 2023, the Board levied a Road System debt service tax of \$0.17.

### Maintenance and Operations Tax

Under Texas law, the Board is also authorized to levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations if authorized by its voters. On October 5, 2022, the Board was authorized to levy such a maintenance and operations tax for water, sanitary sewer drainage and storm sewer facilities in an amount not to exceed \$1.50 per \$100 of assessed valuation. For the 2023 tax year, the District levied a tax rate of \$1.00 per \$100 of assessed valuation for maintenance and operations purposes. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District's bonded indebtedness.

### Tax Exemption

As discussed in the section entitled "TAXING PROCEDURES," certain property within the District may be exempt from taxation by the District. See "TAXING PROCEDURES – Property Subject to Taxation by the District."

### Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District can establish 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 Texas Tax Code.

## Historical Tax Collections

The following table illustrates the collection history of the District for the 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>Current Year Ended 09/30</u>	<u>Collections 09/30</u>
2021	\$ 446,438	\$ 1.27	\$ 5,670	100.00%	2022	100.00%
2022	23,360,327	1.17	273,316	98.54%	2023	98.54%
2023	164,568,320	1.17	1,925,449	94.59%(a)	2024	94.59%(a)

(a) In process of collections.

## Tax Rate Distribution

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Utility System Debt Service	\$ -	\$ -	\$ -
Road System Debt Service	0.170	-	-
Maintenance and Operations	1.000	1.170	1.270
Total	\$ 1.170	\$ 1.170	\$ 1.270

## Analysis of Tax Base

The following table illustrates the District’s total assessed value in the tax years 2021–2023 by type of property.

<u>Type of Property</u>	<u>2023 Assessed Valuation</u>	<u>2022 Assessed Valuation</u>	<u>2021 Assessed Valuation</u>
Land	\$ 45,526,099	\$ 24,197,907	\$ 7,533,568
Improvements	149,953,797	27,109,399	-
Personal Property	614,466	479,910	-
Exemptions	(31,526,042)	(28,426,889)	(7,087,130)
Total	\$ 164,568,320	\$ 23,360,327	\$ 446,438

## Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of November 1, 2023:

<u>Taxpayer</u>	<u>Type of Property</u>	<u>Assessed Valuation 2023 Tax Roll</u>	<u>% of Total</u>
SMC Tamarron LLC	Lots / Houses / Inv.	\$ 66,293,391	40.21%
D R Horton-Texas LTD (a)	Vacant / Lots / Houses / Inv.	17,553,540	10.65%
Trebol Investments LLC	Lots / Houses / Inv.	726,381	0.44%
DHIR-Houston South I LLC	Lots / Houses / Inv.	595,193	0.36%
Komatsu Financial LP	Personal Property Equipment	514,204	0.31%
Homeowner	Lot / House	440,544	0.27%
Homeowner	Lot / House	438,923	0.27%
4D Energy Investments LLC	Lot / House	436,498	0.26%
Homeowner	Lot / House	434,534	0.26%
Homeowner	Lot / House	434,073	0.26%
Total		\$ 87,867,281	53.30%

(a) See “PRINCIPAL LANDOWNER/DEVELOPER.”

**Tax Rate Calculations**

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 assessed valuation that would be required to meet certain debt service requirements if no growth in the District occurs beyond the 2023 Certified Assessed Valuation (\$164,568,320) or the 2024 Preliminary Assessed Valuation (\$290,191,327). The calculations assume collection of 95% of taxes levied and the sale of no additional bonds by the District except the Utility Bonds:

Road System and Utility System Average Annual Debt Service Requirements (2024–2049)....	\$	964,684
Tax Rate of \$0.62 on the 2023 Certified Assessed Valuation produces .....	\$	969,307
Tax Rate of \$0.35 of the 2024 Preliminary Assessed Valuation produces.....	\$	964,886
Road System and Utility System Maximum Debt Service Requirement (2048) .....	\$	1,140,563
Tax Rate of \$0.73 on the 2023 Assessed Valuation produces .....	\$	1,141,281
Tax Rate of \$0.42 of the 2024 Preliminary Assessed Valuation produces.....	\$	1,157,863

**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 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 (see “DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement”), 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.

Set forth below is a compilation of all 2023 taxes levied by such jurisdictions per \$100 of assessed valuation. The table below does not include any future debt service tax rate that may be levied as a result of the issuance of the Utility Bonds (see “TAX DATA – Debt Service Tax”). Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other dues or charges made by entities other than political subdivisions.

<u>Taxing Jurisdiction</u>	<u>2023 Tax Rate Per \$100 of Assessed Value</u>
The District	\$ 1.170000
Fort Bend County	0.426500
Fort Bend County Drainage District	0.012400
Fort Bend County ESD No. 4	0.095673
Lamar Consolidated Independent School District	1.149200
Total 2023 Tax Rate	<u>\$ 2.853773</u>

**RELATIONSHIP AMONG THE PARTIES**

Tierra Financial Advisors, LLC, serves as financial advisor to the District (the “Financial Advisor”) and is a wholly owned subsidiary of D.R. Horton Inc. (“D.R. Horton”), the primary developer of land in the District. As of November 1, 2023, D.R. Horton owned approximately 10.65% of the of the total taxable assessed value of property in the District. See “DEVELOPMENT OF THE DISTRICT,” “PRINCIPAL LANDOWNER/DEVELOPER” and “TAX DATA – Principal Taxpayers.” A portion of the proceeds of the Utility Bonds will be used to reimburse D.R. Horton for expenditures incurred in connection with the development of infrastructure in the District. See “THE UTILITY BONDS – Use and Distribution of Bond Proceeds.” No employees of D.R. Horton are members of the Board of the District, and the Financial Advisor is subject to federal laws and regulations that require it to disclose, manage and mitigate conflicts of interest consistent with its fiduciary duties to the District.

## INVESTMENT CONSIDERATIONS

### General

The Utility Bonds, which are obligations of the District and are not obligations of the State of Texas; the County, the City, or any other political subdivision, will be secured by a continuing direct annual ad valorem property tax, without legal limitation as to rate or amount, on all taxable property located within the District. (See “THE UTILITY BONDS – Source of Payment”). The ultimate security for payment of principal of and interest on the Utility Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by the registered owners of the District’s obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of property within the District will accumulate or maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property.

### Factors Affecting Taxable Values and Tax Payments

***Economic Factors:*** The rate of development within the District is directly related to the vitality of the residential housing industry in the County. New residential housing construction can be significantly affected by factors such as general economic activity, interest rates, credit availability, energy costs, construction costs, the level of unemployment and consumer demand. Decreased levels of such construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development in the District. The economy of the County, and the southeast Texas regional area is largely dependent on the petrochemical industry. Recent decreases in the price of oil and related products have the potential to negatively affect the economy of the County, and the southeast Texas region and likewise negatively affect housing prices, assessed valuations and continued development in southeast Texas, the County, and the District. The District can make no prediction on what effect current or future oil prices may have on housing prices, assessed valuations and continued development in southeast Texas, the County, or the District. See “DEVELOPMENT WITHIN THE DISTRICT.”

***Location and Access:*** The District is located in north Fort Bend County, Texas, approximately 30 miles west of the downtown of the City of Houston, Texas. The District is approximately three miles south of the intersection of Interstate 10 and FM 1463 and approximately five miles west of the intersection of State Highway 99 and Westheimer Parkway. The District is bordered by FM 1463 on the east and Texas Heritage Parkway to the west, which provides direct access for residents. All of the property is within LCISD and lies within the ETJ of the City. See “THE DISTRICT.”

***Competition:*** The demand for and construction of taxable improvements in the District could be affected by competition from other developments near the District. In addition to competition for new single-family home sales from other developments, there are numerous previously-owned single-family homes in more established commercial centers and neighborhoods closer to the City of Houston, Texas that are for sale. Such existing developments could represent additional competition for new development proposed to be constructed within the District. The competitive position of the Developer or the principal landowners in the sale of land, and the sale or leasing of residences is affected by most of the factors discussed in this section. Such a competitive position is directly related to the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developer will be implemented or, if implemented, will be successful.

***Developer Under No Obligation to the District:*** The Developer has informed the District of its current plans to continue to develop land in the District for residential purposes. However, the Developer is not obligated to implement such plan on any particular schedule or at all. Thus, the furnishing of information related to the proposed development by the Developer should not be interpreted as such a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer, or any other subsequent landowners to whom a party may sell all or a portion of their holdings within the District, to implement any plan of development. Furthermore, there is no restriction on the Developer’s right to sell its land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any

plans of the Developer. Failure to construct taxable improvements on developed lots and tracts and failure of the Developer to develop its land would restrict the rate of growth of taxable value in the District. The District is also dependent upon the Developer (see “TAX DATA – Principal Taxpayers”) for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of the Developer will be or what effect, if any, such conditions may have on its ability to pay taxes. See “DEVELOPER AND PRINCIPAL LANDOWNERS,” and “DEVELOPMENT WITHIN THE DISTRICT.”

**Maximum Impact on District Tax Rates:** Assuming no further development or construction of taxable improvements, 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 Valuation of property located within the District is \$164,568,320 and the 2024 Preliminary Assessed Valuation is \$290,191,327. See “TAX DATA.”

After issuance of the Utility Bonds, the maximum annual debt service requirement on the Outstanding Road Bonds and the Utility Bonds will be \$1,140,563 (2048) and the average annual debt service requirement on the Outstanding Road Bonds and the Utility Bonds will be \$964,684 (2024-2049). Assuming no decrease to the 2023 Assessed Valuation, tax rates of \$0.73 and \$0.62 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. Assuming no decrease from the 2024 Preliminary Assessed Valuation, tax rates of \$0.42 and \$0.35 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.

#### **Limitation to Bondholders’ Remedies**

In the event of default in the payment of principal of or interest on the Utility Bonds, Bondholders 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 Utility Bond Order does not provide for remedies to protect and enforce the interests of the Bondholders. There is no acceleration of maturity of the Utility Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Based on recent Texas court decisions, it is unclear whether, §49.066, Texas Water Code, effectively waives governmental immunity of a municipal utility district for suits for money damages. Even if the Bondholders 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 Bondholders cannot themselves foreclose on property within the District or sell property of the District in order to pay the principal of and interest on the Utility Bonds. Since there is no trust indenture or trustee, the Bondholders would have to initiate and finance the legal process to enforce their remedies.

#### **Bankruptcy Limitation to Bondholders’ Rights**

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District: (1) is authorized to file for federal bankruptcy protection by Texas law; (2) is insolvent or unable to meet its debts as they mature; (3) desired to effect a plan to adjust such debts; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, the District must also obtain the approval of the TCEQ prior to filing bankruptcy. Such law requires that the TCEQ investigate the financial conditions of the District and authorize the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

If the District decides in the future to proceed voluntarily under the federal Bankruptcy Code, the District could develop and file a plan for the adjustment of its debts. If such a plan was confirmed by the bankruptcy court, it could, among other things, affect the Beneficial Owners by reducing or eliminating the interest rate or the principal amount,



modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Beneficial Owners' claims against the District.

The District may not be placed into bankruptcy involuntarily.

### **Environmental Regulations**

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

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

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

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

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.

On May 25, 2023, the Supreme Court of the United States issued its decision in *Sackett v. EPA*, which clarified the definition of "waters of the United States" and significantly restricted the reach of federal jurisdiction under the CWA. Under the *Sackett* decision, "waters of the United States" includes only geographical features that are described in ordinary parlance as "streams, oceans, rivers, and lakes" and to adjacent wetlands that are indistinguishable from such bodies of water due to a continuous surface connection.

While the *Sackett* decision removed a great deal of uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction, operations of municipal utility districts, including the District,

could potentially be subject to additional restrictions and requirements, including additional permitting requirements, in the future.

### **Potential Impact of Natural Disaster**

The District is located near the Texas Gulf Coast and could be impacted by wide-spread fires, earthquakes, or weather events such as hurricanes, tornadoes, tropical storms, or other severe weather events that could produce high winds, heavy rains, hail, and flooding. In the event that a natural disaster should damage or destroy improvements and personal property in the District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed value of the District or an increase in the District's tax rates.

There can be no assurance that a casualty will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild, repair, or replace any taxable properties in the District that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could be a lengthy period in which assessed values in the District would be adversely affected. There can be no assurance the District will not sustain damage from such natural disasters.

The District cannot predict the effect that additional extreme weather events may have upon the District and the Gulf Coast. Additional extreme weather events have the potential to cause damage within the District and along the Gulf Coast generally that could have a negative effect on taxable assessed valuations in the District and the economy of the District and the region. See "TAXING PROCEDURES – Valuation of Property for Taxation."

### **Potential Effects of Oil Price Volatility on the Houston Area**

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

### **Marketability**

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

### **Continuing Compliance with Certain Covenants**

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

### **Future Debt**

Following the issuance of the Utility Bonds, \$195,250,000 principal amount of unlimited tax bonds for the purpose of acquiring and/or constructing the Utility System to serve the District and \$102,500,000 in principal amount of unlimited tax bonds for refunding such bonds; \$90,000,000 principal amount of unlimited tax bonds for the purpose of acquiring and/or constructing the Road System and \$47,500,000 in principal amount of unlimited tax bonds for refunding such bonds; and \$35,000,000 principal amount of unlimited tax bonds for acquiring and/or constructing recreational or park facilities in the District and \$17,500,000 in principal amount of unlimited tax bonds for refunding such bonds, will remain authorized and unissued. The District also has the right to issue certain other additional bonds

and other obligations, as described in the Utility Bond Order. 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 Utility Bonds.

Following the issuance of the Utility Bonds, the District will owe the Developer approximately \$17.9 million for its expenditures to construct or acquire the Utility System and approximately \$8.9 million for its expenditures to construct or acquire the Road System, the funds of which were advanced by the Developer. See “THE SYSTEM” and “DEVELOPMENT WITHIN THE DISTRICT.”

### **Approval of the Utility Bonds**

The Attorney General of Texas must approve the legality of the Utility Bonds prior to their delivery. The Attorney General of Texas, however, does not pass upon or guarantee the safety of the Utility Bonds as an investment or the adequacy or accuracy of the information contained in this Official Statement.

### **Consolidation**

Under Texas Law, the District may be consolidated with other municipal utility districts, with the assets and liabilities of the consolidated districts belonging to the consolidated district. No representation is made that the District will ever consolidate with one or more other districts, although no consolidation is presently contemplated by the District.

### **Tax Collection Limitations**

The District’s ability to make debt service payments may be adversely affected by difficulties in collecting ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District’s ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures; (b) a bankruptcy court’s stay of tax collection proceedings against a taxpayer; (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property; or (d) the taxpayer’s right to redeem the property. 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. See “TAXING PROCEDURES.”

### **Bond Insurance Risk Factors**

In the event of default of the payment of principal or interest with respect to the Utility Bonds when all or some becomes due, any owner of the Utility 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 Utility 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 provider of the Policy (the “Bond 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 Utility 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 Utility Bonds, no assurance is given that such event will not adversely affect the market price of the Utility Bonds or the marketability (liquidity) for the Utility Bonds.

The long-term ratings on the Utility 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 Utility Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Utility Bonds or the marketability (liquidity) for the Utility Bonds. See "MUNICIPAL BOND INSURANCE" and "RATING."

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 nor the Initial Purchaser 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 Utility Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE" and "RATING" herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

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## THE SYSTEM

### General

The water, wastewater, and drainage facilities, the purchase, acquisition, and construction of which have been financed by the District with the proceeds of the Utility Bonds, have been designed in accordance with accepted engineering practices and the recommendation of certain governmental agencies having regulatory or supervisory jurisdiction over construction and operation of such facilities, including among others, the TCEQ. According to the Engineer, the design of all such facilities has been approved by all governmental agencies, which have jurisdiction over the District.

### Description of the System

#### - Water Supply and Distribution -

As outlined in the Joint Water Plant Agreement with Fort Bend County MUD No. 182 (“FBC MUD 182”), the District currently owns, operates, and supplies all water service from Water Plant No. 1. Water Plant No. 1 currently consists of an onsite well with a capacity of 400 gallons per minute (gpm), a remote well with a capacity of 1,200 gpm, a 20,000- and 30,000-gallon hydro-pneumatic tank, two (2) 750,000-gallon ground storage tanks, and 5,500 gpm in booster pump capacity. In addition, the District owns two (2) remote wells with capacities of 1,200 gpm each that supply groundwater to Water Plant No. 1. FBC MUD 182 owns an equitable interest in 100% of the capacity in these facilities under the Joint Water Plant Agreement; however, the District has leased capacity from FBC MUD 182 sufficient to serve 600 equivalent single-family connections (“ESFCs”) pursuant to an Interim Water Supply Agreement.

The District is within the boundaries of the Fort Bend Subsidence District (“FBSD”), which regulates groundwater withdrawal. The District’s authority to pump groundwater is subject to an annual permit issued by the FBSD. On September 24, 2003, the FBSD issued a Direct Regulatory Plan (the “Plan”) to reduce groundwater withdrawal through conversion to surface water or other alternative water sources in certain areas within the FBSD’s jurisdiction. Under the Plan, the District was required to have a groundwater reduction plan (“GRP”) approved by the FBSD by the beginning date of the District’s permit term in 2008, or pay a disincentive fee for any groundwater withdrawn in excess of 70% of the District’s total water demand. Additional disincentive fees would be imposed under the Plan if the District’s withdrawal exceeds 70% of the total water demand beginning in January 2013, and if it exceeds 40% of the total water demand beginning in January 2025.

#### - Wastewater Treatment and Conveyance System -

Pursuant to the District’s wastewater treatment plant (“WWTP”) Permit (No. WQ0014758001), and the Joint Wastewater Treatment Agreement with FBC MUD 182, the District currently operates a leased 900,000 gpd WWTP of which FBC MUD 182 owns an equitable interest in 100% of the capacity. The District leases 135,000 gpd of capacity from FBC MUD 182 within the District which is sufficient to serve approximately 630 ESFCs. Currently, flow at the wastewater treatment plant is approximately 630,060 gpd, which is 70.1% of the WWTP’s average daily capacity. The 5<sup>th</sup> expansion phase of the FBC MUD 182 Wastewater treatment plant is currently under design and expected to begin construction in 2025.

#### - Drainage -

Stormwater drainage from the District discharges into a series of detention ponds through a storm sewer system. The detention ponds outfall to Flewellen Creek.

#### - Roads -

The roads within the District vary in width in accordance with standards adopted by the County, but are sized to accommodate the anticipated traffic demands of full build-out of the property within the District.

## **Subsidence and Conversion to Surface Water Supply**

In 2005, the Texas legislature created the North Fort Bend Water Authority (the “Authority”) to, among other things, reduce groundwater usage in, and to provide surface water to, the northern portion of the County (including the District), and a small portion of Harris County, Texas. The Authority has entered into a Water Supply Contract with Houston to obtain treated surface water from Houston. The Authority has developed a GRP and obtained FBSD approval of its GRP. The Authority’s GRP sets forth the Authority’s plan to comply with FBSD regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The District is included within the Authority’s GRP.

The Authority, among other powers, has the power to: (i) issue debt supported by the revenues pledged for the payment of its obligations; (ii) establish fees (including fees imposed on the District for groundwater pumped by the District), user fees, rates, charges, and special assessments as necessary to accomplish its purposes; and (iii) mandate water users, including the District, to convert from groundwater to surface water. The Authority currently charges the District, and other major groundwater users, \$4.55 per 1,000 gallons based on the amount of groundwater pumped. It is expected that the Authority will issue a substantial amount of bonds by the year 2025 to finance the Authority’s project costs, and it is expected that the fees charged by the Authority will increase substantially over such period.

Under the FBSD District regulations and the GRP, the Authority is required to: (i) limit groundwater withdrawals to no more than 70% of the total water demand of the water users within the Authority’s GRP, beginning January 2013; and (ii) limit groundwater withdrawals to no more than 40% of the total water demand of the water users within the Authority’s GRP, beginning January 2025. If the Authority fails to comply with the above FBSD regulations, the Authority is subject to a substantial disincentive fee penalty of \$3.25 per 1,000 gallons (“Disincentive Fees”) imposed by the FBSD for any groundwater withdrawn in excess of 40% of the total water demand in the Authority’s GRP. In the event of such Authority failure to comply, the FBSD may also seek to collect Disincentive Fees from the District. If the District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely impose monetary or other penalties against the District.

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## Historical Operations of the System

The following statement sets forth in condensed form the results of operation of the Utility System. The statements for the fiscal years ended June 30, 2022 and 2023 are audited. The period of July 1, 2023 to April 30, 2024, is an unaudited summary below prepared by the Bookkeeper for inclusion herein based upon information obtained from the District's audited financial statements. Reference is made to such statements for further and more complete information. See "APPENDIX A."

	Fiscal Year Ended June 30		
	07/01/2023 to 04/30/2024 (a)	2023	2022
<b>REVENUES</b>			
Water Service	\$ 331,365	\$ 164,073	\$ 46,068
Sewer Service	276,530	214,027	45,076
Property Taxes	1,592,554	253,909	5,670
Penalties and Interest	13,541	31,775	1,476
Regional Water Authority Fees	473,479	291,797	73,047
Tap Connection and Inspection Fees	37,524	929,147	838,125
Miscellaneous	-	39,745	15,170
Investment Earnings	9,165	6,763	138
<b>TOTAL REVENUES</b>	<b>\$ 2,734,158</b>	<b>\$ 1,931,236</b>	<b>\$ 1,024,770</b>
<b>EXPENDITURES:</b>			
Purchased Services	\$ 716,371	\$ 607,736	\$ 55,173
Professional Fees	94,480	80,545	44,160
Contracted Services	269,063	640,630	428,525
Repairs and Maintenance	841,183	558,383	104,730
Administrative	52,536	4,583	23,718
Other	4,633	49,567	-
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,978,266</b>	<b>\$ 1,941,444</b>	<b>\$ 656,306</b>
Revenues Over (Under) Expenditures	\$ 755,892	\$ (10,208)	\$ 368,464
Beginning Fund Balance	\$ 384,184	\$ 394,392	\$ (9,072)
Ending Fund Balance	\$ 1,140,076	\$ 384,184	\$ 394,392

(a) Unaudited, provided by the District's bookkeeper.

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## DISTRICT DEBT

2023 Certified Assessed Valuation .....	\$	164,568,320 <sup>(a)</sup>
2024 Preliminary Assessed Valuation.....	\$	290,191,327 <sup>(b)</sup>
<b>Direct Debt:</b>		
The Outstanding Road Bonds (as of May 1, 2024).....	\$	5,000,000
The Utility Bonds.....	\$	9,750,000
Total.....	\$	14,750,000
Estimated Overlapping Debt.....	\$	17,344,855 <sup>(c)</sup>
Total Direct and Estimated Overlapping Debt.....	\$	32,094,855 <sup>(c)</sup>
<b>Direct Debt Ratio:</b>		
As a percentage of 2023 Certified Assessed Valuation.....		8.95 %
As a percentage of 2024 Preliminary Assessed Valuation.....		5.08 %
<b>Direct and Estimated Overlapping Debt Ratio:</b>		
As a percentage of 2023 Certified Assessed Valuation.....		19.47 %
As a percentage of 2024 Preliminary Assessed Valuation.....		11.06 %
Utility System Debt Service Fund (as of May 13, 2024) .....	\$	451,769 <sup>(d)</sup>
Road System Debt Service Fund (as of May 13, 2024) .....	\$	35,969 <sup>(e)</sup>
Utility System Capital Projects Fund (as of May 13, 2024).....	\$	-
Road System Capital Projects Fund (as of May 13, 2024).....	\$	14,744
Operating Fund (as of May 13, 2024).....	\$	52,389
<b>2023 Tax Rate:</b>		
Utility System Debt Service.....	\$	-
Road System Debt Service.....	\$	0.170
Maintenance and Operations.....	\$	1.000
Total.....	\$	1.170
Average Annual Debt Service Requirements on the Outstanding Road Bonds and the Utility Bonds (2024 - 2049).....	\$	964,684 <sup>(f)</sup>
Maximum Annual Debt Service Requirements on the Outstanding Road Bonds and the Utility Bonds (2048).....	\$	1,140,563 <sup>(f)</sup>
<b>Utility System Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirement on the Outstanding Road Bonds and the Utility Bonds (2024 - 2049):</b>		
Based on 2023 Assessed Valuation at 95% Collections .....	\$	0.62
Based on 2024 Preliminary Assessed Valuation, at 95% Collections.....	\$	0.35
<b>Utility System Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement on the Outstanding Road Bonds and the Utility Bonds (2048):</b>		
Based on 2023 Assessed Valuation at 95% Collections .....	\$	0.73
Based on 2024 Preliminary Assessed Valuation, at 95% Collections.....	\$	0.42

- (a) Represents the assessed valuation of all taxable property in the District as of January 1, 2023, 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 is an estimate of the taxable value of all taxable property located within the District as of January 1, 2024, and includes an estimate of additional taxable value resulting from the construction of taxable improvements from January 1, 2023 to January 1, 2024. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement."
- (d) Neither Texas law nor the Utility Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund. The Funds on deposit in the Utility System Debt Service Fund are pledged only to pay the debt service on the Utility Bonds and any other bonds issued for the purpose of acquiring or constructing the Utility System. The Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Road System. Upon the issuance of the Utility Bonds, one year of capitalized interest will be deposited into the Utility System Debt Service Fund.
- (e) Neither Texas law nor the Road Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. The Funds on deposit in the Road System Debt Service Fund are pledged only to pay the debt service on the Road Bonds and any other bonds issued for the purpose of acquiring or constructing the Road System. The Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Utility System.
- (f) See "DISTRICT DEBT – Road System Debt Service Requirement Schedule."

## Pro Forma Debt Service Requirements

The following sets forth the debt service requirements on the Outstanding Road Bonds, as well as the principal and interest requirements on the Utility Bonds.

<b>Plus: The Utility Bonds</b>					
<b>Calendar Year</b>	<b>Outstanding Road Bond Debt Service (a)</b>	<b>Principal</b>	<b>Interest</b>	<b>Debt Service</b>	<b>Total Debt Service</b>
2024	\$ 230,775	\$ -	\$ -	\$ -	\$ 230,775
2025	330,775	-	439,220	439,220	769,995
2026	329,275	190,000	451,769	641,769	971,044
2027	327,450	205,000	439,181	644,181	971,631
2028	325,300	215,000	425,600	640,600	965,900
2029	327,825	230,000	411,356	641,356	969,181
2030	324,700	240,000	396,119	636,119	960,819
2031	326,250	255,000	380,219	635,219	961,469
2032	327,150	270,000	363,325	633,325	960,475
2033	322,400	290,000	345,438	635,438	957,838
2034	323,100	305,000	330,938	635,938	959,038
2035	323,200	325,000	318,356	643,356	966,556
2036	326,200	345,000	304,950	649,950	976,150
2037	333,800	365,000	290,288	655,288	989,088
2038	335,800	385,000	274,775	659,775	995,575
2039	342,400	410,000	258,894	668,894	1,011,294
2040	343,400	435,000	241,981	676,981	1,020,381
2041	349,000	460,000	224,038	684,038	1,033,038
2042	354,000	490,000	205,063	695,063	1,049,063
2043	358,400	515,000	184,238	699,238	1,057,638
2044	367,200	550,000	162,350	712,350	1,079,550
2045	370,200	580,000	138,975	718,975	1,089,175
2046	377,600	615,000	114,325	729,325	1,106,925
2047	384,200	650,000	88,188	738,188	1,122,388
2048	390,000	690,000	60,563	750,563	1,140,563
2049	-	735,000	31,238	766,238	766,238
<b>Total</b>	<b>\$ 8,450,400</b>	<b>\$ 9,750,000</b>	<b>\$ 6,881,382</b>	<b>\$ 16,631,382</b>	<b>\$ 25,081,782</b>

(a) Outstanding Road Bond debt service as of May 1, 2024.

Combined Average Annual Debt Service Requirement (2024–2049)	\$ 964,684
Combined Maximum Annual Debt Service Requirement (2048)	\$ 1,140,563

## 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 several sources, including information contained in “Texas Municipal Reports” published by the Municipal Advisory Council of Texas. 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 of debt service, and the tax burden for operation, maintenance, and/or general purposes is not included in these figures.

	Outstanding Debt 6/1/2024	Overlapping	
		Percent	Amount
Fort Bend County	\$ 711,940,455	0.15%	\$ 1,046,510
Fort Bend County Drainage District	22,655,000	0.15%	33,301
Lamar Consolidated Independent School District	2,800,355,000	0.58%	16,265,044
Total Estimated Overlapping Debt			17,344,855
The District (a)			\$ 14,750,000
Total Direct and Estimated Overlapping Debt (a)			\$ 32,094,855

(a) Includes the Utility Bonds.

## TAXING PROCEDURES

### Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Utility Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see “INVESTMENT CONSIDERATIONS – Future Debt”) and to pay the expenses of assessing and collecting such taxes. The District agrees in the Utility Bond Order to levy such a tax from year-to-year as described more fully herein under “THE UTILITY BONDS – Source of Payment.” Under Texas law, the Board is also authorized to levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations if authorized by its voters. See “TAX DATA – Tax Rate Limitation.”

### 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, including the District. 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 the responsibility for reviewing and equalizing the values established by its appraisal district. The Appraisal District has the responsibility for appraising property for all taxing units within the County, including the District. Such appraisal values are subject to review and change by the Fort Bend County Appraisal Review Board (the “Appraisal Review Board”). The appraisal roll as approved by the Appraisal Review Board must be used by the District in establishing its tax roll and tax rate.

### Property Subject to Taxation by the District

**General:** Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; 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 twenty percent (20%) of the number of qualified voters who voted in the preceding election. For the 2023 tax year, the District did not grant such a residential homestead exemption to persons 65 years of age or older and to certain other disabled persons. 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 one hundred percent (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 total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization at no cost to the veteran. This exemption applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. The surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

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 total 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 transferrable 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.

***Residential Homestead Exemptions:*** The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than \$5,000, if any exemption is granted, 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 District has never adopted a general homestead exemption.

***Freeport Goods and Goods-in-Transit Exemption:*** Freeport goods are goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas and other petroleum products, which have been acquired or brought into the state for assembling, storing, manufacturing, repair, maintenance, processing or fabricating purposes, or used to repair or maintain aircraft of a certified air carrier, and shipped out of the state within one hundred seventy-five (175) days. Freeport goods are exempt from taxation by the District. Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." "Goods-in-transit" is defined by a provision of the Tax Code, which is effective for tax year 2016 and prior applicable years, as personal property acquired or imported into Texas and transported to another location in the State or outside the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory. For tax year 2016 and subsequent years, such Goods-in-Transit Exemption is limited to tangible personal property acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one or more warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. The Tax Code provision permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. The District has taken action to tax Goods-in-Transit. A taxpayer may receive only one of the Freeport exemptions or the goods-in-transit exemptions for items of personal property.

## **Valuation of Property for Taxation**

Generally, property within 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 Code are to be based on 100% of market value, as such is defined in the Property Code. Nevertheless, certain land may be appraised at less than market value, as such is defined in the Property 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 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 within 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% 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.

During the 2<sup>nd</sup> Special Session, convened on June 27, 2023, the Texas Legislature passed Senate Bill 2 (“SB 2”), which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the “Subjected Property”) whose appraised values are not more than \$5,000,000 (the “Maximum Property Value”) to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property (collectively, the “Appraisal Cap”). After the 2024 tax year, through December 31, 2026, the Appraisal Cap may be increased or decreased by the product of the preceding state fiscal year’s increase or decrease in consumer price index, as applicable, to the Maximum Property Value. SB 2 was signed into law by the Governor on July 22, 2023. The provisions described hereinabove took effect January 1, 2024, after the constitutional amendment proposed by H.J.R. 2, 88<sup>th</sup> Legislature, 2<sup>nd</sup> Called Session, 2023, was approved by voters at an election held on November 7, 2023.

## **District and Taxpayer Remedies**

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

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

## **Rollback of Operation and Maintenance Tax Rate**

Chapter 49 of the Texas Water Code classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed are classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations is described for each classification below. Debt service 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 (herein defined), 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 District made the determination of its status as a Developing District. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

## **Agricultural, Open Space, Timberland and Inventory Deferment**

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather

than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the 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 such taxes for a period of three (3) years to five (5) years for agricultural use, timberland, or open space land prior to the loss of the designation. As of January 1, 2023, approximately zero acres within the District were designated for agricultural use, open space or timberland.

### **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 six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional twenty percent (20%) penalty for collection costs. A delinquent tax on personal property incurs an additional twenty percent (20%) penalty, 60 days after the date the taxes become delinquent (April 1). For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected.

### **District's Rights in the Event of Tax Delinquencies**

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. 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 proceeding which restrict the collection of taxpayer debts. See "INVESTMENT CONSIDERATIONS – General" and "INVESTMENT CONSIDERATIONS – Tax Collection Limitations."

## LEGAL MATTERS

### Legal Opinions

Issuance of the Utility Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Utility Bonds are valid and binding obligations of the District payable from an annual ad valorem tax levied without limit as to rate or amount upon all taxable property within the District. Issuance of the Utility Bonds is also subject to the legal opinion of Bond Counsel that, based upon examination of the transcript of the proceedings incident to authorization and issuance of the Utility Bonds, the Utility Bonds are valid and legally binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity, and are payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the District which is not exempt from taxation by or under applicable law. The legal opinion will further state that the interest on the Utility Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations, published rulings and court decisions as described below under "TAX MATTERS." The legal opinion of Bond Counsel will be printed on the Utility Bonds, if certificated Utility Bonds are issued. Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Utility Bonds. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Disclosure Counsel.

### No-Litigation Certificate

The District will furnish the Initial Purchasers a certificate, dated as of the date of delivery of the Utility Bonds, executed by the President of the Board or the Vice President and the Secretary or an Assistant Secretary of the Board, to the effect that no litigation of any nature has been filed or is to their knowledge then pending or threatened, either in state or federal courts, contesting or attacking the Utility Bonds; restraining or enjoining the issuance, execution, or delivery of the Utility Bonds; affecting the provisions made for the payment of security for the Utility Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Utility Bonds; or affecting the validity of the Utility Bonds.

### No Material Adverse Change

The obligations of the Initial Purchaser to take and pay for the Utility Bonds, and of the District to deliver the Utility Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Utility 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 in the Official Statement, as it may have been supplemented or amended, through the date of sale.

## TAX MATTERS

### Tax Exemption

On the date of initial delivery of the Utility Bonds, Bond Counsel will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Utility Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof, except that such interest is taken into account in determining the annual adjusted financial statement of income of applicable corporations (as defined in section 59(k) of the Internal Revenue Code of 1986 (the "Code")) and (2) the Utility Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Code. Except as stated above, Bond Counsel will express no opinion as to any other federal, state, or local tax consequences of the purchase, ownership, or disposition of the Utility Bonds.

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate and (b) covenants of the



District contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Utility Bonds and the property financed or refinanced therewith. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Utility Bonds to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Utility Bonds in order for interest on the Utility Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Utility Bonds to be included in gross income retroactively to the date of issuance of the Utility Bonds. The opinion of Bond Counsel is conditioned on compliance by the District with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Utility Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership, or disposition of the Utility Bonds.

A ruling was not sought from the Internal Revenue Service by the District with respect to the Utility Bonds or the property financed or refinanced with proceeds of the Utility Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Utility Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

#### **Federal Income Tax Accounting Treatment of Original Issue Discount**

The initial public offering price to be paid for one or more maturities of the Utility Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Utility Bonds is not equal to the accrual period or be in excess of one year (the "Original Issue Discount Utility Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Utility Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering 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 accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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 Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Utility Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the 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 and 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 Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, 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 the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

### **Collateral Federal Income Tax Consequences**

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Utility Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP, AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE UTILITY BONDS.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Utility Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation. Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Utility Bonds, if such obligation was acquired at a “market discount” and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to “market discount bonds” to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A “market discount bond” is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the “revised issue price” (i.e., the issue price plus accrued original issue discount). The “accrued market discount” is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

### **Not Qualified Tax-Exempt Obligations**

The Utility Bonds will not be designated as “qualified tax-exempt obligations” for financial institutions.

## **CONTINUING DISCLOSURE OF INFORMATION**

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

## **Annual Reports**

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

The information to be updated with respect to the District includes all quantitative financial information and operating data relative to the District of the general type included in this Official Statement under the headings “DISTRICT DEBT – General,” “TAX DATA,” and “APPENDIX A.” The District will update and provide this information within six (6) months after the end of each fiscal year ending in or after 2024.

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 state law or regulation, and audited if the audit report is completed within a six (6)-month period. 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 fiscal year end is currently June 30. Accordingly, it must provide updated information by December 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 10 days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Utility Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Utility Bonds, or other events affecting the tax-exempt status of the Utility Bonds; (7) modifications to rights of beneficial owners of the Utility Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Utility Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District or other obligated person within the meaning of SEC Rule 15c2-12 (the “Rule”); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Utility Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Utility Bonds nor the Utility Bond Orders make any provision for debt service reserves or liquidity enhancement. The term “financial obligation” when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term “financial obligation” does not include municipal securities for which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule. 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 described above under “Annual Reports.”

## **Availability of Information**

The District has agreed to provide the foregoing information only to the MSRB. Investors will be able to access continuing disclosure information filed with the MSRB through its EMMA system at [www.emma.msrb.org](http://www.emma.msrb.org).

## **Limitations and Amendments**

The District has agreed to update information and to provide notices of certain events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Utility Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Utility Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District, but only if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Utility 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 (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Utility Bonds consent to the amendment or (b) any qualified professional 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 Utility Bonds. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided. The District may also amend or repeal its continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of such Rule are invalid, and the District also may amend its continuing disclosure agreement in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Utility Bonds in the primary offering of the Utility Bonds.

## **Compliance with Prior Undertakings**

The District entered into its first continuing disclosure agreement pursuant to SEC Rule 15c2-12 in connection with its first bond issue in 2023. The District has complied in all material respects with its continuing disclosure agreement made in accordance with SEC Rule 15c2-12.

## **OFFICIAL STATEMENT**

### **Preparation**

The information in this Official Statement has been obtained from sources as set forth herein under the following captions: “THE DISTRICT” and “THE SYSTEM,” “DEVELOPER AND PRINCIPAL LANDOWNERS,” “DEVELOPMENT WITHIN THE DISTRICT” – the Developer, “TAX DATA,” “THE UTILITY BONDS,” “CONTINUING DISCLOSURE OF INFORMATION,” “TAXING PROCEDURES,” “LEGAL MATTERS,” and “TAX MATTERS.”

### **Experts**

In approving this Official Statement, the District has relied upon the following experts in addition to the Financial Advisor.

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

*Tax Assessor/Collector and Appraisal District:* The information contained in this Official Statement relating to principal taxpayers and tax collection rates and the certified assessed valuation of property within the District and, in particular such information contained in the sections captioned “TAX DATA” has been provided by Assessments of the Southwest, Inc. and the Appraisal District, in reliance upon their authority as experts in appraising and tax assessing.

### **Certification as to Official Statement**

The District, acting by and through its Board in its official capacity, 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, description 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 elects to terminate its obligation to purchase the Utility 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 Utility Bonds to the Initial Purchasers, unless the Initial Purchasers notifies the District on or before such date that less than all of the Utility 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 Utility Bonds) until all of the Utility Bonds have been sold to ultimate customers.

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**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 in this Official Statement are made subject to all of the provisions 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. 188 as of the date shown on the first page hereof.

/s/ Stephanie Hardin  
President, Board of Directors  
Fort Bend County Municipal Utility District No. 188

ATTEST:

/s/ Tracy Butcher  
Secretary, Board of Directors  
Fort Bend County Municipal Utility District No. 188

**APPENDIX A**  
**FINANCIAL STATEMENTS OF THE DISTRICT**

**FORT BEND COUNTY MUNICIPAL  
UTILITY DISTRICT NO. 188**

**FORT BEND COUNTY, TEXAS**

**FINANCIAL REPORT**

**June 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. 188  
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. 188 (the "District"), as of and for the year ended June 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. 188, as of June 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. 188  
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.

*McGrath & Co, P.C.*

Houston, Texas  
October 9, 2023

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## **Management's Discussion and Analysis**



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***Fort Bend County Municipal Utility District No. 188  
Management's Discussion and Analysis  
June 30, 2023***

**Using this Annual Report**

Within this section of the financial report of Fort Bend County Municipal Utility District No. 188 (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 June 30, 2023. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

**Overview of the Financial Statements**

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

**Government-Wide Financial Statements**

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

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

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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 June 30, 2023, was negative \$10,244,777. The District's net position is negative because the District incurs debt to construct road facilities which it conveys to Fort Bend County. A comparative summary of the District's overall financial position, as of June 30, 2023 and 2022, is as follows:

	2023	2022
Current and other assets	\$ 1,154,692	\$ 628,932
Capital assets	24,673,086	17,318,926
Total assets	<u>25,827,778</u>	<u>17,947,858</u>
Current liabilities	383,194	234,540
Long-term liabilities	35,689,361	21,471,259
Total liabilities	<u>36,072,555</u>	<u>21,705,799</u>
Net position		
Net investment in capital assets	(1,529,453)	(339,387)
Restricted	148,369	
Unrestricted	(8,863,693)	(3,418,554)
Total net position	<u>\$ (10,244,777)</u>	<u>\$ (3,757,941)</u>

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The total net position of the District decreased during the current fiscal year by \$6,486,836. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2023</u>	<u>2022</u>
Revenues		
Property taxes, penalties and interest	\$ 322,772	\$ 7,146
Water and sewer service	378,100	91,144
Other	<u>1,272,110</u>	<u>926,480</u>
Total revenues	<u>1,972,982</u>	<u>1,024,770</u>
Expenses		
Current service operations	1,941,444	656,306
Debt interest and fees	94,041	
Developer interest	371,045	
Debt issuance costs	122,018	
Depreciation	<u>514,241</u>	<u>339,387</u>
Total expenses	<u>3,042,789</u>	<u>995,693</u>
Change in net position before other item	(1,069,807)	29,077
Other item		
Transfers to other governments	<u>(5,417,029)</u>	<u>(3,742,093)</u>
Change in net position	(6,486,836)	(3,713,016)
Net position, beginning of year	<u>(3,757,941)</u>	<u>(44,925)</u>
Net position, end of year	<u>\$ (10,244,777)</u>	<u>\$ (3,757,941)</u>

**Financial Analysis of the District's Funds**

The District's combined fund balances, as of June 30, 2023, were \$546,910, which consists of \$384,184 in the General Fund, \$148,369 in the Debt Service Fund and \$14,357 in the Capital Projects Fund.

*General Fund*

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

	<u>2023</u>	<u>2022</u>
Total assets	<u>\$ 804,466</u>	<u>\$ 628,932</u>
Total liabilities	\$ 383,194	\$ 234,540
Total deferred inflows	37,088	
Total fund balance	<u>384,184</u>	<u>394,392</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 804,466</u>	<u>\$ 628,932</u>

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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	\$ 1,931,236	\$ 1,024,770
Total expenditures	<u>(1,941,444)</u>	<u>(656,306)</u>
Revenues over expenditures	(10,208)	368,464
Other changes in fund balance		35,000
Net change in fund balance	<u>\$ (10,208)</u>	<u>\$ 403,464</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 and tap connection fees charged to homebuilders in the District. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. While the District decreased its maintenance tax levy, property tax revenues increased because assessed values in the District increased from the prior year.
- Water, sewer and regional water authority fee 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.

*Debt Service Fund*

The District issued bonded debt during the current fiscal year pursuant to a Bond Resolution adopted by the Board. As required by the Bond Resolution, a Debt Service Fund was established to account for the accumulation of financial resources restricted for debt service purposes. A summary of the financial position as of June 30, 2023 is as follows:

Total assets	<u>\$ 148,369</u>
Total fund balance	<u>\$ 148,369</u>

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

Total revenues	\$ 4,135
Total expenditures	<u>(86,541)</u>
Revenues under expenditures	(82,406)
Other changes in fund balance	230,775
Net change in fund balance	<u>\$ 148,369</u>

The District's financial resources in the Debt Service Fund in the current year are from capitalized interest from the sale of bonds. The difference between these financial resources and debt service requirements resulted in an increase in fund balance.

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*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 Unlimited Tax Road Bonds. A summary of the financial position of the Capital Projects Fund as of June 30, 2023 is as follows:

Total assets	<u>\$ 14,357</u>
Total fund balance	<u>\$ 14,357</u>

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

Total revenues	\$ 523
Total expenditures	<u>(4,755,391)</u>
Revenues under expenditures	(4,754,868)
Other changes in fund balance	<u>4,769,225</u>
Net change in fund balance	<u>\$ 14,357</u>

During the current year, the District's capital asset activity was financed with proceeds from the issuance of its Series 2023 Unlimited Tax Road Bonds.

**General Fund Budgetary Highlights**

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$76,373 less than budgeted. The *Budgetary Comparison Schedule* on page 36 of this report provides variance information per financial statement line item.

**Capital Assets**

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

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

	<u>2023</u>	<u>2022</u>
Capital assets not being depreciated		
Land and improvements	<u>\$ 2,385,854</u>	<u>\$ 2,385,854</u>
Capital assets being depreciated		
Infrastructure	23,140,860	15,272,459
Less accumulated depreciation	<u>(853,628)</u>	<u>(339,387)</u>
Depreciable capital assets, net	<u>22,287,232</u>	<u>14,933,072</u>
Capital assets, net	<u><u>\$ 24,673,086</u></u>	<u><u>\$ 17,318,926</u></u>

Capital asset additions during the current year include the following:

- Utilities to serve Tamarron, Section 45A and Tamarron Point, Section 2
- Utilities to serve Tamarron, Section 52 and Tamarron Point, Section 3
- Utilities to serve Tamarron, Section 48

Additionally, Fort Bend 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 June 30, 2023, capital assets in the amount of \$5,417,029 have been recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 8.

**Long-Term Debt and Related Liabilities**

As of June 30, 2023, the District owes approximately \$30,689,361 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 5, the District has an additional commitment in the amount of \$16,524,324 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 bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

During the current year, the District issued \$5,000,000 in unlimited tax road bonds, all of which were outstanding as of the end of the fiscal year. The District did not have any bonded debt as of June 30, 2022.

At June 30, 2023, the District had authorized but unissued bonds in the amount of \$205,000,000 for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and \$102,500,000 for the refunding of such bonds; \$35,000,000 for park and

***Fort Bend County Municipal Utility District No. 188  
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June 30, 2023***

recreational facilities and \$17,500,000 for the refunding of such bonds; \$90,000,000 for road improvements and \$47,500,000 for the refunding of such bonds.

**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	\$ 1,931,236	\$ 1,300,000
Total expenditures	<u>(1,941,444)</u>	<u>(1,214,870)</u>
Revenues over expenditures	(10,208)	85,130
Beginning fund balance	<u>394,392</u>	<u>384,184</u>
Ending fund balance	<u><u>\$ 384,184</u></u>	<u><u>\$ 469,314</u></u>

**Property Taxes**

The District's property tax base increased approximately \$81,572,000 for the 2023 tax year from \$24,458,087 to \$106,029,765, based on certified values. The District has an additional \$67,009,064 in uncertified values. This increase was primarily due to new construction in the District. For the 2023 tax year, the District has levied a maintenance tax rate of \$1.00 per \$100 of assessed value and a road debt service tax rate of \$0.17 per \$100 of assessed value, for a total combined tax rate of \$1.17 per \$100 of assessed value. The tax rate for the 2022 tax year was \$1.17 per \$100 of assessed value for maintenance and operations.



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## **Basic Financial Statements**

**Fort Bend County Municipal Utility District No. 188**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**June 30, 2023**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>						
Cash	\$ 445,019	\$ -	\$ -	\$ 445,019	\$ -	\$ 445,019
Investments	182,421	148,369	14,357	345,147		345,147
Taxes receivable	37,088			37,088		37,088
Customer service receivables	138,926			138,926		138,926
Other receivables	1,012			1,012		1,012
Prepaid bond insurance, net					187,500	187,500
Capital assets not being depreciated					2,385,854	2,385,854
Capital assets, net					22,287,232	22,287,232
<b>Total Assets</b>	<b>\$ 804,466</b>	<b>\$ 148,369</b>	<b>\$ 14,357</b>	<b>\$ 967,192</b>	<b>24,860,586</b>	<b>25,827,778</b>
<b>Liabilities</b>						
Accounts payable	\$ 288,294	\$ -	\$ -	\$ 288,294		288,294
Customer deposits	66,250			66,250		66,250
Unearned revenue	28,650			28,650		28,650
Due to developer					30,689,361	30,689,361
Long-term debt						
Due after one year					5,000,000	5,000,000
<b>Total Liabilities</b>	<b>383,194</b>			<b>383,194</b>	<b>35,689,361</b>	<b>36,072,555</b>
<b>Deferred Inflows of Resources</b>						
Deferred property taxes	37,088			37,088	(37,088)	
<b>Fund Balances/Net Position</b>						
<b>Fund Balances</b>						
Restricted		148,369	14,357	162,726	(162,726)	
Unassigned	384,184			384,184	(384,184)	
<b>Total Fund Balances</b>	<b>384,184</b>	<b>148,369</b>	<b>14,357</b>	<b>546,910</b>	<b>(546,910)</b>	
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 804,466</b>	<b>\$ 148,369</b>	<b>\$ 14,357</b>	<b>\$ 967,192</b>		
<b>Net Position</b>						
Net investment in capital assets					(1,529,453)	(1,529,453)
Restricted for debt service					148,369	148,369
Unrestricted					(8,863,693)	(8,863,693)
<b>Total Net Position</b>					<b>\$ (10,244,777)</b>	<b>\$ (10,244,777)</b>

See notes to basic financial statements.

**Fort Bend County Municipal Utility District No. 188**  
**Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2023**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>						
Water service	\$ 164,073	\$ -	\$ -	\$ 164,073	\$ -	\$ 164,073
Sewer service	214,027			214,027		214,027
Property taxes	253,909			253,909	32,250	286,159
Penalties and interest	31,775			31,775	4,838	36,613
Regional water authority fees	291,797			291,797		291,797
Tap connection and inspection	929,147			929,147		929,147
Miscellaneous	39,745			39,745		39,745
Investment earnings	6,763	4,135	523	11,421		11,421
<b>Total Revenues</b>	<b>1,931,236</b>	<b>4,135</b>	<b>523</b>	<b>1,935,894</b>	<b>37,088</b>	<b>1,972,982</b>
<b>Expenditures/Expenses</b>						
Current service operations						
Purchased services	607,736			607,736		607,736
Professional fees	80,545			80,545		80,545
Contracted services	640,630			640,630		640,630
Repairs and maintenance	558,383			558,383		558,383
Utilities	4,583			4,583		4,583
Administrative	49,567			49,567		49,567
Capital outlay			4,067,328	4,067,328	(4,067,328)	
Debt service						
Interest and fees		86,541		86,541	7,500	94,041
Developer interest			371,045	371,045		371,045
Debt issuance costs			317,018	317,018	(195,000)	122,018
Depreciation					514,241	514,241
<b>Total Expenditures/Expenses</b>	<b>1,941,444</b>	<b>86,541</b>	<b>4,755,391</b>	<b>6,783,376</b>	<b>(3,740,587)</b>	<b>3,042,789</b>
<b>Revenues Over/(Under)</b>						
<b>Expenditures/Expenses</b>	<b>(10,208)</b>	<b>(82,406)</b>	<b>(4,754,868)</b>	<b>(4,847,482)</b>	<b>3,777,675</b>	<b>(1,069,807)</b>
<b>Other Financing Sources</b>						
Proceeds from sale of bonds		230,775	4,769,225	5,000,000	(5,000,000)	
<b>Other Items</b>						
Transfers to other governments					(5,417,029)	(5,417,029)
<b>Net Change in Fund Balances</b>	<b>(10,208)</b>	<b>148,369</b>	<b>14,357</b>	<b>152,518</b>	<b>(152,518)</b>	
<b>Change in Net Position</b>					<b>(6,486,836)</b>	<b>(6,486,836)</b>
Fund Balances/Net Position						
Beginning of the year	394,392	-	-	394,392	(4,152,333)	(3,757,941)
<b>End of the year</b>	<b>\$ 384,184</b>	<b>\$ 148,369</b>	<b>\$ 14,357</b>	<b>\$ 546,910</b>	<b>\$ (10,791,687)</b>	<b>\$ (10,244,777)</b>

See notes to basic financial statements.

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***Fort Bend County Municipal Utility District No. 188***  
***Notes to Financial Statements***  
***June 30, 2023***

**Note 1 – Summary of Significant Accounting Policies**

The accounting policies of Fort Bend County Municipal Utility District No. 188 (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 March 16, 2006 and the 83rd Legislature, Senate Bill 1824, codified as Chapter 8470, Texas Special District Local Laws Code, effective September 1, 2013, under Section 59, Article XVI and Section 52, Article III of the Texas Constitution and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on September 20, 2013 and the first bonds were issued on February 16, 2023.

The District’s primary activities include construction, maintenance and operation of water, sewer, drainage, parks and recreational and road 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*.

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Government-Wide and Fund Financial Statements (continued)**

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

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

- The General Fund is used to account for the operations of the District’s water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes and water and sewer service fees. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District’s general long-term debt. The primary source of revenue for debt service is property taxes. During the current year, financial resources included capitalized interest from the sale of bonds. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District’s water, sewer, 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 1 – Summary of Significant Accounting Policies (continued)**

**Measurement Focus and Basis of Accounting (continued)**

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

**Use of Restricted Resources**

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

**Prepaid Bond Insurance**

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

**Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At June 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.



**Note 1 – Summary of Significant Accounting Policies (continued)**

**Capital Assets (continued)**

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. The District's detention facilities are considered improvements to land and are non-depreciable.

**Deferred Inflows and Outflows of Financial Resources**

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

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

**Net Position – Governmental Activities**

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

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

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

Unrestricted – resources not included in the other components.

**Fund Balances – Governmental Funds**

Governmental accounting standards establish the following fund balance classifications:

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

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

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Fund Balances – Governmental Funds (continued)**

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

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

Unassigned - all other spendable amounts in the General Fund.

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

**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. 188*  
*Notes to Financial Statements*  
*June 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 balances, governmental funds	\$ 546,910
Prepaid bond insurance is recorded as an expenditure at the fund level, but is recorded as a prepaid asset and amortized to interest expense over the life of the bonds in the government wide statements.	187,500
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
Historical cost	\$ 25,526,714
Less accumulated depreciation	<u>(853,628)</u>
Change due to capital assets	24,673,086
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of bonds payable.	(5,000,000)
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> .	(30,689,361)
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.	37,088
Total net position - governmental activities	<u><u>\$ (10,244,777)</u></u>

**Fort Bend County Municipal Utility District No. 188**  
**Notes to Financial Statements**  
**June 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	\$ 152,518
Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the <i>Statement of Activities</i> when earned. The difference is for property taxes and related penalties and interest.	37,088
In the <i>Statement of Activities</i> , the cost of capital assets is charged to depreciation expense over the estimated useful life of the asset.	(514,241)
Capital outlays for developer reimbursements are recorded as expenditures in the fund, but reduce the liability for due to developer in the <i>Statement of Net Position</i> .	4,067,328
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources.	
Issuance of long term debt	\$ (5,000,000)
Prepaid bond insurance	195,000
Interest expense accrual	<u>(7,500)</u>
	(4,812,500)
The District conveys its roads to Fort Bend County upon completion of construction. Since these improvements are funded by the developer, financial resources are not expended in the fund financial statements; however, in the <i>Statement of Activities</i> , these amounts are reported as transfers to other governments.	(5,417,029)
Change in net position of governmental activities	<u><u>\$ (6,486,836)</u></u>

**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.

**Note 3 – Deposits and Investments (continued)**

**Investments**

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

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

As of June 30, 2023, the District’s investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexSTAR	General	\$ 182,421	AAAm	22 days
	Debt Service	148,369		
	Capital Projects	14,357		
		\$ 345,147		

**TexSTAR**

The District participates in Texas Short Term Asset Reserve fund (“TexSTAR”) which is managed by Hilltop Securities, Inc., and J.P. Morgan Investment Management, Inc. Hilltop Securities provides participant and marketing services while J.P. Morgan provides investment management services. Custodial and depository services are provided by J.P. Morgan Chase Bank N.A. or its subsidiary.

The District’s investment in TexSTAR is reported at fair value because TexSTAR uses fair value to report investments. Governmental accounting standards establish the following hierarchy of inputs used to measure fair value: Level 1 inputs are based on quoted prices in active markets, Level 2 inputs are based on significant other observable inputs, and Level 3 inputs are based on significant unobservable inputs. The District’s investment in TexSTAR is measured using published fair value per share (level 1 inputs).

*Fort Bend County Municipal Utility District No. 188*  
*Notes to Financial Statements*  
*June 30, 2023*

**Note 3 – Deposits and Investments (continued)**

**TexSTAR (continued)**

Investments in TexSTAR may be withdrawn via wire transfer on a same day basis, as long as the transaction is executed by 4 p.m. ACH withdrawals made by 4 p.m. will settle on the next business day.

**Investment Credit and Interest Rate Risk**

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

**Note 4 – Capital Assets**

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

	Beginning Balances	Additions	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 2,385,854	\$ -	\$ 2,385,854
Capital assets being depreciated			
Infrastructure	15,272,459	7,868,401	23,140,860
Less accumulated depreciation	(339,387)	(514,241)	(853,628)
Subtotal depreciable capital assets, net	<u>14,933,072</u>	<u>7,354,160</u>	<u>22,287,232</u>
Capital assets, net	<u>\$ 17,318,926</u>	<u>\$ 7,354,160</u>	<u>\$ 24,673,086</u>

Depreciation expense for the current year was \$514,241.

**Note 5 – 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 agreement, 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.

**Fort Bend County Municipal Utility District No. 188**  
**Notes to Financial Statements**  
**June 30, 2023**

**Note 5 – Due to Developer (continued)**

Changes in the estimated amounts due to developer during the year is as follows:

Due to developer, beginning of year	\$ 21,471,259
Developer reimbursements	(4,067,328)
Developer funded construction and adjustments	13,285,430
Due to developer, end of year	<u>\$ 30,689,361</u>

In addition, the District will owe the developers approximately \$16,524,324, 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.

	<u>Contract Amount</u>	<u>Percent Complete</u>
Tamarron Section 55 - paving	\$ 1,783,293	89%
Tamarron Section 41 - utilities and paving	1,965,368	96%
Detention and grading Phase 8	7,087,462	90%
Tamarron Section 55 - utilities	2,087,324	93%
Tamarron Section 52 and Tamarron Point 3 - paving	1,654,264	89%
Lift Station no. 8 and force main	1,946,613	88%
	<u>\$ 16,524,324</u>	

**Note 6 – Long-Term Debt**

Long-term debt is comprised of the following:

Bonds payable	<u>\$ 5,000,000</u>
Due within one year	<u>\$ -</u>

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

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2023 Road	\$ 5,000,000	\$ 5,000,000	4.0% - 6.5%	July 1, 2025 - 2048	January 1, July 1,	July 1, 2029

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

*Fort Bend County Municipal Utility District No. 188*  
*Notes to Financial Statements*  
*June 30, 2023*

**Note 6 – Long-Term Debt (continued)**

At June 30, 2023, the District had authorized but unissued bonds in the amount of \$205,000,000 for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and \$102,500,000 for the refunding of such bonds; \$35,000,000 for park and recreational facilities and \$17,500,000 for the refunding of such bonds; \$90,000,000 for road improvements and \$47,500,000 for the refunding of such bonds.

On February 16, 2023, the District issued its \$5,000,000 Series 2023 Unlimited Tax Road Bonds at a net effective interest rate of 4.386%. Proceeds of the bonds were used to reimburse the developer for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds and to pay capitalized interest into the Debt Service Fund.

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

Bonds payable, beginning of year	\$ -
Bonds issued	<u>5,000,000</u>
Bonds payable, end of year	<u><u>\$ 5,000,000</u></u>



*Fort Bend County Municipal Utility District No. 188*  
*Notes to Financial Statements*  
*June 30, 2023*

**Note 6 – Long-Term Debt (continued)**

The debt service payment due July 1 was made during the current fiscal year. The following schedule was prepared presuming this practice will continue. As of June 30, 2023, annual debt service requirements on bonds outstanding are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2024	\$ -	\$ 230,775	\$ 230,775
2025	100,000	230,775	330,775
2026	105,000	224,275	329,275
2027	110,000	217,450	327,450
2028	115,000	210,300	325,300
2029	125,000	202,825	327,825
2030	130,000	194,700	324,700
2031	140,000	186,250	326,250
2032	150,000	177,150	327,150
2033	155,000	167,400	322,400
2034	165,000	158,100	323,100
2035	175,000	148,200	323,200
2036	185,000	141,200	326,200
2037	200,000	133,800	333,800
2038	210,000	125,800	335,800
2039	225,000	117,400	342,400
2040	235,000	108,400	343,400
2041	250,000	99,000	349,000
2042	265,000	89,000	354,000
2043	280,000	78,400	358,400
2044	300,000	67,200	367,200
2045	315,000	55,200	370,200
2046	335,000	42,600	377,600
2047	355,000	29,200	384,200
2048	375,000	15,000	390,000
	<u>\$ 5,000,000</u>	<u>\$ 3,450,400</u>	<u>\$ 8,450,400</u>

**Note 7 – Property Taxes**

On November 2, 2021, 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. In addition, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing road maintenance limited to \$1.50 per \$100 of assessed value and a park maintenance tax limited to \$0.10 per \$100 of assessed value.

**Fort Bend County Municipal Utility District No. 188**  
**Notes to Financial Statements**  
**June 30, 2023**

**Note 7 – Property Taxes (continued)**

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

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2023 fiscal year was financed through the 2022 tax levy, pursuant to which the District levied property taxes of \$1.17 all of which was allocated to maintenance and operations. The resulting tax levy was \$286,160 on the adjusted taxable value of \$24,458,087.

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

Current year taxes receivable	\$	32,250
Penalty and interest receivable		4,838
Property taxes receivable	<u>\$</u>	<u>37,088</u>

**Note 8 – 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 June 30, 2023, the District recorded transfers to other governments in the amount of \$5,417,029 for road facilities constructed by a developer within the District.

**Note 9 – Agreements with Fort Bend County Municipal Utility District No. 182**

*Agreement for Joint Financing, Construction and Maintenance of Water Line, Sewer Line, and Storm Sewer Facilities*

On August 2, 2021, the District and Fort Bend County Municipal Utility District No. 182 (“MUD 182”) entered into a Joint Facilities Agreement, whereby each district agrees to share the cost of financing and operating joint water lines, sewer lines, and storm sewer facilities to serve both districts. The District holds beneficial title to these joint facilities with each district owning an equitable interest based on the pro-rata share of the facilities. The District is responsible for the maintenance and operation of the facilities and will bill MUD 182 for maintenance and operating costs for its pro rata share of total capacity in the facilities.

Each district will finance, own and operate their respective internal water, sanitary sewer and storm sewer systems.

**Note 9 – Agreements with Fort Bend County Municipal Utility District No. 182 (continued)**

*Joint Water Plant*

On August 2, 2021, the District and MUD 182 entered into an agreement for the construction, ownership, operation, maintenance, and expansion of a water plant to serve both districts. The term of the agreement is 40 years and will continue in ten-year increments unless terminated by either party no less than three years before the end of each ten-year increment.

MUD 182 completed construction of the initial phase of the joint water facilities to provide a permanent source of water supply to the residents and customers of MUD 182. MUD 182 will transfer title of the facilities to the District for operation and completion. MUD 182's share of capacity in the initial phase of the joint water facilities is 100%. Each district is solely responsible for the internal water distribution systems necessary to deliver water from the water plants to customers within their respective district.

The District shall hold beneficial title to the joint water plant, with both the District and 182 having an undivided, equitable interest based on each districts pro rata share of capacity. The District is responsible for the operation and maintenance of the water plant and will create a Joint Water Plant Fund to account for associated costs and for billing participants for those costs. Fixed costs are allocated based on each district's pro-rata share of capacity in the entire plant. Variable operating and maintenance costs are allocated to each district based on its pro rata share of active connections served in each month. The District shall establish an operating reserve of not more than three months of budgeted operating expenses in order to provide liquidity.

*Interim Water Supply Agreement*

On November 7, 2022, the District and MUD 182 entered into an agreement for MUD 182 to supply water to the District on an interim basis to serve 600 ESFCs until the District completes construction of water plant facilities to serve the area within its boundaries. Under the agreement, the District must pay \$1.00 per 1,000 gallons (which covers capital costs and operation and maintenance expenses) to MUD 182 plus any regulatory fees payable by MUD 182.

*Joint Wastewater Treatment Plant*

On August 2, 2021, the District and MUD 182 entered into an agreement for the lease, construction, ownership, operation, maintenance, and expansion of wastewater treatment facilities to serve both districts. The term of the agreement is 40 years and will continue in ten-year increments unless terminated by either party no less than three years before the end of each ten-year increment.

**Note 9 – Agreements with Fort Bend County Municipal Utility District No. 182 (continued)**

*Joint Wastewater Treatment Plant (continued)*

The cost of designing and constructing each phase of these facilities is allocated between the District and MUD 182 based on each district's pro-rata share of equivalent single-family connections. The initial phase of the joint wastewater plant has been installed through the combination of construction of certain improvements and the lease of a 600,000 gallons per day wastewater treatment plant. MUD 182 will transfer title of the facilities to the District for operation and completion. MUD 182's share of capacity in the initial phase of the joint wastewater treatment facilities is 100%. Each district is solely responsible for the internal collection systems necessary to deliver waste to the wastewater treatment plant.

The District holds beneficial title to the joint wastewater plant facilities, with both the District and MUD 182 having an undivided, equitable interest. The District is responsible for the operation and maintenance of the wastewater treatment plant and will create a Joint Wastewater Treatment Plant Fund to account for associated costs and for billing participants for those costs. Fixed costs are allocated based on each district's pro-rata share of capacity in the entire plant. Variable operating and maintenance costs are allocated to each district based on its pro rata share of active connections served in each month. The District shall establish an operating reserve of not more than three months of budgeted operating expenses in order to provide liquidity.

*Lease Agreement for Wastewater Treatment Capacity*

On November 7, 2022, the District and MUD 182 entered into an agreement for MUD 182 to lease 135,000 gallons per day of wastewater treatment capacity to the District until the District completes construction of wastewater treatment plant facilities to serve the area within its boundaries. Under the agreement, the District must pay \$16,256.25 per month to MUD 182 plus the District's pro rata share of operational expenses (as defined under the Joint Wastewater Plant Agreement).

**Note 10 – 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 11 – Concentration of Risk**

Approximately 100% of the taxable property within the District is owned by the top 10 taxpayers. Since property taxes are the primary source of revenue for both the General Fund and the Debt Service Fund, the continued ability of these taxpayers to continue to pay their property taxes is an important factor in the District's ability to meet its future obligations.

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## **Required Supplementary Information**

**Fort Bend County Municipal Utility District No. 188**  
**Required Supplementary Information - Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2023**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Water service	\$ 200,000	\$ 164,073	\$ (35,927)
Sewer service	30,000	214,027	184,027
Property taxes		253,909	253,909
Penalties and interest		31,775	31,775
Regional water authority fees		291,797	291,797
Tap connection and inspection	400,000	929,147	529,147
Miscellaneous		39,745	39,745
Investment earnings		6,763	6,763
<b>Total Revenues</b>	<u>630,000</u>	<u>1,931,236</u>	<u>1,301,236</u>
<b>Expenditures</b>			
Current service operations			
Purchased services		607,736	(607,736)
Professional fees	90,000	80,545	9,455
Contracted services	390,000	640,630	(250,630)
Repairs and maintenance	50,000	558,383	(508,383)
Utilities		4,583	(4,583)
Administrative	32,835	49,567	(16,732)
Other	1,000		1,000
<b>Total Expenditures</b>	<u>563,835</u>	<u>1,941,444</u>	<u>(1,377,609)</u>
<b>Revenues Over Expenditures</b>	66,165	(10,208)	(76,373)
<b>Fund Balance</b>			
Beginning of the year	394,392	394,392	
<b>End of the year</b>	<u>\$ 460,557</u>	<u>\$ 384,184</u>	<u>\$ (76,373)</u>

*Fort Bend County Municipal Utility District No. 188*  
*Notes to Required Supplementary Information*  
*June 30, 2023*

**Budgets and Budgetary Accounting**

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



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## **Texas Supplementary Information**

**Fort Bend County Municipal Utility District No. 188**  
**TSI-1. Services and Rates**  
**June 30, 2023**

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

- |   |   |  |  |
|---|---|--|--|
| <input checked="" type="checkbox"/> Retail Water  | <input type="checkbox"/> Wholesale Water      | <input type="checkbox"/> Solid Waste / Garbage | <input checked="" type="checkbox"/> Drainage |
| <input checked="" type="checkbox"/> Retail Wastewater   | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Flood Control         | <input type="checkbox"/> Irrigation          |
| <input type="checkbox"/> Parks / Recreation   | <input type="checkbox"/> Fire Protection      | <input type="checkbox"/> Roads                 | <input type="checkbox"/> Security            |
| <input type="checkbox"/> Participates in joint venture, regional system (other than emergency interconnect) |   |  |  |
| <input type="checkbox"/> 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:	\$ 18.00	10,000	N	\$ 1.20	10,001 to 15,000
				\$ 1.50	15,001 to 20,000
				\$ 1.75	20,001 to 25,000
				\$ 2.00	25,001 to no limit
Wastewater:	\$ 32.50	N	Y		to _____
Surcharge:	\$ 5.01	N	N	\$ 5.01	1 to no limit

District employs winter averaging for wastewater usage?  Yes  No

Total charges per 10,000 gallons usage: Water \$ 68.05 Wastewater \$ 32.50

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"	840	769	x 1.0	769
1"	4	4	x 2.5	10
1.5"			x 5.0	
2"	12	12	x 8.0	96
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water	856	785		875
Total Wastewater	837	766	x 1.0	766

See accompanying auditor's report.

**Fort Bend County Municipal Utility District No. 188**  
**TSI-1. Services and Rates**  
**June 30, 2023**

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

Gallons purchased into system:	<u>60,725,000</u> *	Water Accountability Ratio:
Gallons billed to customers:	<u>60,725,000</u>	(Gallons billed / Gallons purchased)
		<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? \_\_\_\_\_

\* Purchased from Fort Bend County MUD 182

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 188  
 TSI-2. General Fund Expenditures  
 For the Year Ended June 30, 2023*

Purchased services	<u>\$ 607,736</u>
Professional fees	
Legal	56,619
Audit	10,000
Engineering	13,926
	<u>80,545</u>
Contracted services	
Bookkeeping	5,325
Operator	15,790
Garbage collection	57,465
Tap connection and inspection	554,786
Tax assessor collector	6,534
Appraisal district fees	730
	<u>640,630</u>
Repairs and maintenance	<u>558,383</u>
Utilities	<u>4,583</u>
Administrative	
Directors fees	3,380
Printing and office supplies	37,956
Insurance	6,849
Other	1,382
	<u>49,567</u>
Total expenditures	<u><u>\$ 1,941,444</u></u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 188*  
*TSI-3. Investments*  
*June 30, 2023*

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>
General			
Texstar	N/A	N/A	\$ 182,421
Debt Service			
Texstar	N/A	N/A	148,369
Capital Projects			
Texstar	N/A	N/A	<u>14,357</u>
Total - All Funds			<u><u>\$ 345,147</u></u>

See accompanying auditors' report.

**Fort Bend County Municipal Utility District No. 188**  
**TSI-4. Taxes Levied and Receivable**  
**June 30, 2023**

	Maintenance Taxes	
	<u>                    </u>	
Taxes Receivable, Beginning of Year	\$	-
2022 Original Tax Levy		222,602
Adjustments		63,558
Adjusted Tax Levy		<u>286,160</u>
Tax collections:		
Current year		<u>253,910</u>
Taxes Receivable, End of Year	\$	<u>32,250</u>
	<u>2022</u>	<u>2021</u>
Property Valuations:		
Land	\$ 25,295,667	\$ 8,289,067
Improvements	27,109,399	
Personal Property	479,910	
Exemptions	(28,426,889)	(7,842,629)
Total Property Valuations	<u>\$ 24,458,087</u>	<u>\$ 446,438</u>
Tax Rates per \$100 Valuation:		
Maintenance tax rates	<u>\$ 1.17</u>	<u>\$ 1.27</u>
Adjusted Tax Levy:	<u>\$ 286,160</u>	<u>\$ 5,670</u>
Percentage of Taxes Collected to Taxes Levied **	<u>88.73%</u>	<u>100.00%</u>

\* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on November 2, 2021

\* Maximum Road Maintenance Tax Rate Approved by Voters: \$1.50 on November 2, 2021

\* Maximum Park Maintenance Tax Rate Approved by Voters: \$0.10 on November 2, 2021

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

See accompanying auditor's report.

*Fort Bend County Municipal Utility District No. 188  
 TSI-5. Long-Term Debt Service Requirements  
 Series 2023 Road--by Years  
 June 30, 2023*

Due During Fiscal Years Ending	Principal Due July 1	Interest Due January 1, July 1	Total
2024	\$ -	\$ 230,775	\$ 230,775
2025	100,000	230,775	330,775
2026	105,000	224,275	329,275
2027	110,000	217,450	327,450
2028	115,000	210,300	325,300
2029	125,000	202,825	327,825
2030	130,000	194,700	324,700
2031	140,000	186,250	326,250
2032	150,000	177,150	327,150
2033	155,000	167,400	322,400
2034	165,000	158,100	323,100
2035	175,000	148,200	323,200
2036	185,000	141,200	326,200
2037	200,000	133,800	333,800
2038	210,000	125,800	335,800
2039	225,000	117,400	342,400
2040	235,000	108,400	343,400
2041	250,000	99,000	349,000
2042	265,000	89,000	354,000
2043	280,000	78,400	358,400
2044	300,000	67,200	367,200
2045	315,000	55,200	370,200
2046	335,000	42,600	377,600
2047	355,000	29,200	384,200
2048	375,000	15,000	390,000
	<u>\$ 5,000,000</u>	<u>\$ 3,450,400</u>	<u>\$ 8,450,400</u>

See accompanying auditors' report.



**Fort Bend County Municipal Utility District No. 188**  
**TSI-6. Change in Long-Term Bonded Debt**  
**June 30, 2023**

	<u>Bond issue</u> <u>Series 2023 Road</u>
Interest rate	4.00% - 6.50%
Dates interest payable	1/1; 7/1
Maturity dates	7/1/25 - 7/1/48
Beginning bonds outstanding	\$ -
Bonds issued	5,000,000
Bonds retired	
Ending bonds outstanding	<u>\$ 5,000,000</u>
Interest paid during fiscal year	<u>\$ 86,541</u>

Paying agent's name and city  
 Series 2023 Road Regions Bank, an Alabama state banking corporation, Houston, Texas

	<u>Water, Sewer and</u> <u>Drainage Bonds</u>	<u>Road Bonds</u>	<u>Recreational</u> <u>Facilities Bonds</u>	<u>Water, Sewer and</u> <u>Drainage</u> <u>Refunding Bonds</u>
Bond Authority:				
Amount Authorized by Voters	\$ 205,000,000	\$ 95,000,000	\$ 35,000,000	\$ 102,500,000
Amount Issued		(5,000,000)		
Remaining To Be Issued	<u>\$ 205,000,000</u>	<u>\$ 90,000,000</u>	<u>\$ 35,000,000</u>	<u>\$ 102,500,000</u>

	<u>Road Refunding</u> <u>Bonds</u>	<u>Recreational</u> <u>Facilities</u> <u>Refunding Bonds</u>
Bond Authority:		
Amount Authorized by Voters	\$ 47,500,000	\$ 17,500,000
Amount Issued		
Remaining To Be Issued	<u>\$ 47,500,000</u>	<u>\$ 17,500,000</u>

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

Debt Service Fund cash and investments balance as of June 30, 2023:	<u>\$ 148,369</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:	<u>\$ 338,016</u>

See accompanying auditors' report.

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*Fort Bend County Municipal Utility District No. 188*

*TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund  
For the Last Three Fiscal Years*

	Amounts		
	2023	2022	2021**
Revenues			
Water service	\$ 164,073	\$ 46,068	\$ -
Sewer service	214,027	45,076	
Property taxes	253,909	5,670	
Penalties and interest	31,775	1,476	
Surface water fees	291,797	73,047	
Tap connection and inspection	929,147	838,125	
Miscellaneous	39,745	15,170	
Investment earnings	6,763	138	
Total Revenues	<u>1,931,236</u>	<u>1,024,770</u>	
Expenditures			
Current service operations			
Purchased services	607,736	55,173	
Professional fees	80,545	44,160	14,056
Contracted services	640,630	428,525	8,588
Repairs and maintenance	558,383	104,730	
Utilities	4,583		
Administrative	49,567	23,718	6,051
Total Expenditures	<u>1,941,444</u>	<u>656,306</u>	<u>28,695</u>
Revenues Over/(Under) Expenditures	<u>\$ (10,208)</u>	<u>\$ 368,464</u>	<u>\$ (28,695)</u>
Total Active Retail Water Connections	<u>785</u>	<u>430</u>	<u>N/A</u>
Total Active Retail Wastewater Connections	<u>766</u>	<u>425</u>	<u>N/A</u>

\*Percentage is negligible

\*\*Unaudited

See accompanying auditors' report.

Percent of Fund Total Revenues		
2023	2022	2021**
8%	4%	
11%	4%	
13%	1%	
2%	*	
15%	7%	
49%	82%	
2%	2%	
*	*	
100%	100%	N/A
31%	5%	
4%	4%	N/A
33%	42%	N/A
29%	10%	
*		
3%	2%	N/A
100%	63%	N/A
0%	37%	N/A

*Fort Bend County Municipal Utility District No. 188*  
*TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund*  
*For the Current Fiscal Year*

	<u>Amounts</u>	<u>Percent of Fund</u>
	<u>2023</u>	<u>2023</u>
Revenues		
Investment earnings	<u>\$ 4,135</u>	<u>100%</u>
Expenditures		
Debt service		
Interest and fees	<u>86,541</u>	<u>2093%</u>
Revenues Under Expenditures	<u>\$ (82,406)</u>	<u>(1,993%)</u>

\*Percentage is negligible

See accompanying auditors' report.

**Fort Bend County Municipal Utility District No. 188**  
**TSI-8. Board Members, Key Personnel and Consultants**  
**For the Year Ended June 30, 2023**

Complete District Mailing Address: 9 Greenway Plaza, Suite 1000, Houston, Texas 77046-0905  
District Business Telephone Number: (713) 651-0111  
Submission Date of the most recent District Registration Form  
(TWC Sections 36.054 and 49.054): November 18, 2016  
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
<b>Board Members</b>				
Stephanie Hardin	05/22 - 05/26	\$ 750	\$ 188	President
Rebecca Kerr	06/22 - 05/24	750	110	Vice President
Randy Odinet	11/21 - 05/24			Secretary
Anthony Hariri	04/22 - 05/26	1,050	262	Assistant Secretary
Tracy Butcher	05/22 - 05/26	750	147	Assistant Secretary
<b>Consultants</b>				
		Amounts Paid		
Coats Rose P.C.	2013	\$ 164,004		Attorney
Si Environmental	2022	938,322		Operator
Myrtle Cruz, Inc.	2006	9,305		Bookkeeper
Assessments of the Southwest	2022	8,422		Tax Collector
Fort Bend Central Appraisal District	Legislation	730		Property Valuation
LJA Engineering	2014	14,464		Engineer
McGrath & Co., PLLC	2022	18,475		Auditor
Tierra Financial Advisors	2022	68,476		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

SPECIMEN

**Notices (Unless Otherwise Specified by BAM)**

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

200 Liberty Street, 27th floor  
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN