

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 198
(FORT BEND COUNTY, TEXAS)**

**PRELIMINARY OFFICIAL STATEMENT
DATED: SEPTEMBER 11, 2025**

**\$6,325,000
UNLIMITED TAX BONDS
SERIES 2025A**

**\$5,000,000
UNLIMITED TAX ROAD BONDS
SERIES 2025**

**BIDS TO BE SUBMITTED BY: 9:00 A.M., CENTRAL TIME
THURSDAY, OCTOBER 9, 2025**

**BIDS TO BE AWARDED AT: 10:00 A.M., CENTRAL TIME
THURSDAY, OCTOBER 9, 2025**



FINANCIAL ADVISOR

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 11, 2025

This Preliminary Official Statement is subject to completion and amendment and is intended for the solicitation of initial bids to purchase the Bonds (herein defined). Upon the sale of the Bonds, the Official Statement will be completed and delivered to the Initial Purchaser (herein defined).

IN THE OPINION OF BOND COUNSEL (HEREIN DEFINED), UNDER EXISTING LAW, INTEREST ON THE BONDS (I) IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER SECTION 103 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, AND (II) IS NOT AN ITEM OF TAX PREFERENCE FOR PURPOSES OF THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS. SEE "TAX MATTERS" HEREIN, INCLUDING INFORMATION REGARDING POTENTIAL ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS.

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

NEW ISSUE – Book-Entry-Only

Moody's Investors Service, Inc. (Underlying)....."Baa3"

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO.198

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

**\$6,325,000
Unlimited Tax Bonds
Series 2025A**

**\$5,000,000
Unlimited Tax Road Bonds
Series 2025**

Dated: November 1, 2025

Interest accrues from Date of Delivery

Due: September 1, as shown on the inside cover

The \$6,325,000 Unlimited Tax Bonds, Series 2025A (the "Series 2025A Bonds"), and the \$5,000,000 Unlimited Tax Road Bonds, Series 2025 (the "Road Bonds," and together with the Series 2025A Bonds, the "Bonds"), are obligations of Fort Bend County Municipal Utility District No. 198 (the "District") and are not obligations of the State of Texas ("Texas"); Fort Bend County, Texas (the "County"); the City of Fulshear, Texas (the "City"); or any political subdivision or entity other than the District. Neither the full faith and credit nor the taxing power of Texas; the County; the City; nor any entity other than the District is pledged to the payment of the principal of or the interest on the Bonds.

The Bonds are dated November 1, 2025, and mature on September 1 in the years and in the principal amounts shown on the inside cover page hereof. Interest on the Bonds accrues from the initial date of delivery (on or about November 19, 2025) (the "Date of Delivery"), with interest payable on March 1, 2026, and each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of stated maturity or prior redemption. Principal of the Bonds is payable to the registered owners of the Bonds (the "Registered Owners") at, initially, BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"), upon surrender of the Bonds for payment at the stated maturity or upon prior redemption. Unless otherwise agreed between the Paying Agent/Registrar and a Registered Owner, interest on the Bonds is dated as of the Interest Payment Date and payable to each Registered Owner, as shown on the records of the Paying Agent/Registrar on the close of business on the 15th day of the calendar month next preceding each Interest Payment Date. The Bonds will be issued only in fully registered form in the denomination of \$5,000 of principal amount, or any integral multiple thereof. The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, principal of and interest on the Bonds will be paid by the Paying Agent/Registrar directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as discussed under "THE BONDS – Book-Entry-Only System."

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

The Series 2025A Bonds constitute the third series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing water, wastewater, and storm drainage facilities to serve the District (the "Utility System"). The Road Bonds constitute the second series of unlimited tax bonds for the purpose of acquiring or constructing road improvements to serve the District (the "Road System"). Voters in the District have authorized a total of \$206,030,500 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System, and for refunding such bonds, \$68,445,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, and for refunding such bonds. Additionally, voters in the District have authorized a total of \$30,693,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District, and for refunding such bonds. Following the issuance of the Bonds, \$181,655,500 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System, and for refunding such bonds; \$55,955,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, and for refunding such bonds; and \$30,693,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District, and for refunding such bonds, will remain authorized and unissued.

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

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

The Bonds are offered subject to prior sale, when, as, and if issued by the District and accepted by the Initial Purchaser, subject to the approval of the Attorney General of Texas and Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about November 19, 2025.

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

**\$6,325,000
UNLIMITED TAX BONDS, SERIES 2025A**

Maturity September 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. _____ (b)	Maturity September 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. _____ (b)
2026	\$ 110,000	____%	____%	—	2039 (c)	\$ 250,000	____%	____%	—
2027	145,000	____%	____%	—	2040 (c)	265,000	____%	____%	—
2028	150,000	____%	____%	—	2041 (c)	275,000	____%	____%	—
2029	160,000	____%	____%	—	2042 (c)	290,000	____%	____%	—
2030	165,000	____%	____%	—	2043 (c)	305,000	____%	____%	—
2031 (c)	175,000	____%	____%	—	2044 (c)	320,000	____%	____%	—
2032 (c)	180,000	____%	____%	—	2045 (c)	330,000	____%	____%	—
2033 (c)	190,000	____%	____%	—	2046 (c)	350,000	____%	____%	—
2034 (c)	200,000	____%	____%	—	2047 (c)	365,000	____%	____%	—
2035 (c)	210,000	____%	____%	—	2048 (c)	380,000	____%	____%	—
2036 (c)	220,000	____%	____%	—	2049 (c)	400,000	____%	____%	—
2037 (c)	230,000	____%	____%	—	2050 (c)	420,000	____%	____%	—
2038 (c)	240,000	____%	____%	—					

**\$5,000,000
UNLIMITED TAX ROAD BONDS, SERIES 2025**

Maturity September 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. _____ (b)	Maturity September 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. _____ (b)
2026	\$ 155,000	____%	____%	—	2039 (c)	\$ 195,000	____%	____%	—
2027	110,000	____%	____%	—	2040 (c)	205,000	____%	____%	—
2028	120,000	____%	____%	—	2041 (c)	215,000	____%	____%	—
2029	125,000	____%	____%	—	2042 (c)	225,000	____%	____%	—
2030	130,000	____%	____%	—	2043 (c)	235,000	____%	____%	—
2031 (c)	135,000	____%	____%	—	2044 (c)	250,000	____%	____%	—
2032 (c)	140,000	____%	____%	—	2045 (c)	260,000	____%	____%	—
2033 (c)	150,000	____%	____%	—	2046 (c)	270,000	____%	____%	—
2034 (c)	155,000	____%	____%	—	2047 (c)	285,000	____%	____%	—
2035 (c)	165,000	____%	____%	—	2048 (c)	300,000	____%	____%	—
2036 (c)	170,000	____%	____%	—	2049 (c)	310,000	____%	____%	—
2037 (c)	180,000	____%	____%	—	2050 (c)	325,000	____%	____%	—
2038 (c)	190,000	____%	____%	—					

- (a) Information with respect to the initial reoffering yields of the 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 call date.
- (b) CUSIP numbers will be assigned to this issue by the CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association, and are included solely for the convenience of the owners of the Bonds.
- (c) The Bonds maturing on September 1, 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 September 1, 2030, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. In addition, the Initial Purchaser may designate one (1) or more maturities as term bonds. See “THE BONDS – Redemption of the Bonds.”

USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with United States Securities and Exchange Commission (the "SEC") Rule 15c2-12 (the "Rule") and in effect on the date of this Preliminary Official Statement, this document constitutes an "official statement" of the District with respect to the Bonds that has been deemed "final" by the District as of its date (or of any such supplement or correction) except for the omission of no more than information permitted by the Rule.

This document, when further supplemented by adding additional information specifying the interest rates and certain other information relating to the Bonds shall constitute a "final official statement" of the District with respect to the Bonds, as such term is defined in the Rule.

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

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

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

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

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for any purpose.

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SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Series 2025A Bonds, the District has accepted the bid resulting in the lowest net effective interest rate to the District, which was tendered by _____ (the "Series 2025A Bonds Initial Purchaser") to purchase the Series 2025A Bonds bearing the interest rates shown on the inside cover page hereof under "PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES, INITIAL REOFFERING YIELDS, AND CUSIPS" at a price of _____% of the par value which resulted in a net effective interest rate of _____%, as calculated pursuant to Chapter 1204 of the Texas Government Code.

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

Throughout this Official Statement, the term "Initial Purchaser" refers to the Series 2025A Bonds Initial Purchaser in its capacity as purchaser of the Series 2025A Bonds as well as the Road Bonds Initial Purchaser in its capacity as purchaser of the Road Bonds.

Prices and Marketability

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

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker, dealer, or similar person or organization acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the 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 Bonds may be changed from time-to-time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

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

MUNICIPAL BOND INSURANCE

The District has made applications to Build America Mutual Assurance Company and Assured Guaranty Inc. for a commitment for municipal bond guaranty insurance on the Series 2025A Bonds. **THE PURCHASE OF SUCH INSURANCE IS MANDATORY, and the payment of all associated costs, including the premium charged by the insurance company and fees charged by rating companies, will be at the expense of the Series 2025A Bonds Initial Purchaser.**

The District has made applications to Build America Mutual Assurance Company and Assured Guaranty Inc. for a commitment for municipal bond guaranty insurance on the Road Bonds. The payment of all costs associated with the insurance, including the premium charged by the insurance company and fees charged by rating companies, will be at the option and expense of the Road Bonds Initial Purchaser.

RATINGS

Moody's has assigned an underlying rating of "Baa3" to the Bonds. An explanation of the rating may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. 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 Moody's, 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 Bonds.

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

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OFFICIAL STATEMENT SUMMARY

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

THE BONDS

Issuer	Fort Bend County Municipal Utility District No. 198 (the "District"), a political subdivision of the State of Texas ("Texas"), is located in Fort Bend County, Texas (the "County"). See "THE DISTRICT."
Issue	The \$6,325,000 Unlimited Tax Bonds, Series 2025A (the "Series 2025A Bonds"), and the \$5,000,000 Unlimited Tax Road Bonds, Series 2025 (the "Road Bonds," and together with the Series 2025A Bonds, the "Bonds") are dated November 1, 2025, and mature on September 1 in the years and in the principal amounts shown on the inside cover page hereof. Interest on the Bonds accrues from the initial date of delivery (on or about November 19, 2025)(the "Date of Delivery"), with interest payable on March 1, 2026, and each September 1 and March 1 thereafter until the earlier of stated maturity or prior redemption. See "THE BONDS."
Redemption	The Bonds maturing on September 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 September 1, 2030, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption of the Bonds."
Book-Entry-Only System.....	The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the book-entry-only system discussed herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners of the Bonds. Principal of and interest on the Bonds will be payable by the office of the paying agent/registrar, initially BOKF, NA, Dallas, Texas, to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System."
Outstanding Bonds	The District has previously issued the: \$7,490,000 Fort Bend County Municipal Utility District No. 198 Unlimited Tax Road Bonds, Series 2024A, \$7,070,000 Fort Bend County Municipal Utility District No. 198 Unlimited Tax Bonds, Series 2024, and \$10,980,000 Fort Bend County Municipal Utility District No. 198 Unlimited Tax Bonds, Series 2025. At the time of delivery of the Bonds, \$25,540,000 principal amount of such previously issued debt will remain outstanding (the "Outstanding Bonds").
Authority for Issuance.....	The Series 2025A Bonds constitute the third series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing water, wastewater, and storm drainage facilities to serve the District (the "Utility System"). The Road Bonds constitute the second series of unlimited tax bonds for the purpose of acquiring or constructing road improvements to serve the District (the "Road System"). Voters in the District have authorized a total of \$206,030,500 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System, and for refunding such bonds, \$68,445,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, and for refunding such bonds. Additionally, voters in the District have authorized a total of \$30,693,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District, and for refunding such bonds. Following the issuance of the Bonds, \$181,655,500 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System, and for refunding such bonds;

\$55,955,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, and for refunding such bonds; and \$30,693,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District, and for refunding such bonds, will remain authorized and unissued.

The Series 2025A Bonds are issued pursuant to: an order of the Texas Commission on Environmental Quality (the "TCEQ"); the general laws of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended; Article XVI, Section 59, of the Texas Constitution; a resolution authorizing the issuance of the Series 2025A Bonds adopted by the Board of Directors of the District (the "Board") on the date of the sale of the Bonds (the "Series 2025A Bond Resolution"); and an election held in the District on November 6, 2018.

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

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

Use and Distribution of the Series 2025A Bond

Proceeds Proceeds from the sale of the Series 2025A Bonds will be used to reimburse the Developer (defined herein) for the projects and related costs shown herein under "THE BONDS – Use and Distribution of the Series 2025A Bond Proceeds". Additionally, proceeds from the sale of the Series 2025A Bonds will be used to pay developer interest; six (6) months of capitalized interest; and certain other costs associated with the issuance of the Series 2025A Bonds. See "THE BONDS – Use and Distribution of the Series 2025A Bond Proceeds."

Use and Distribution of Road Bond

Proceeds Proceeds from the sale of the Road Bonds will be used to reimburse the Developer for the projects and related costs shown under "THE BONDS – Use and Distribution of the Road Bond Proceeds."

Additionally, proceeds from the sale of the Road Bonds will be used to pay developer interest; six (6) months of capitalized interest; and certain other costs associated with the issuance of the Road Bonds. See "THE BONDS – Use and Distribution of the Road Bond Proceeds."

NOT Qualified Tax-Exempt Obligations..... The Bonds are NOT "qualified tax-exempt obligations" for financial institutions.

Municipal Bond Insurance..... The District has made applications to Build America Mutual Assurance Company and Assured Guaranty Inc. for a commitment for municipal bond guaranty insurance on the Series 2025A Bonds. **THE PURCHASE OF SUCH INSURANCE IS MANDATORY, and the payment of all associated costs, including the premium charged by the insurance company and fees charged by rating companies, will be at the expense of the Series 2025A Bonds Initial Purchaser.**

The District has made applications to Build America Mutual Assurance Company and Assured Guaranty Inc. for a commitment for municipal bond guaranty insurance on the Road Bonds. The payment of all costs associated with the insurance, including the premium charged by the insurance company and fees charged by rating companies, will be at the option and expense of the Road Bond Initial Purchaser.

Ratings	Moody's has assigned an underlying rating of "Baa3" to the Bonds. An explanation of the rating may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. 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 Moody's, 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 Bonds. See "RATINGS."
Payment Record.....	The District has never defaulted on the timely payment of principal or interest on its bonded indebtedness.
General and Bond Counsel	Allen Boone Humphries Robinson LLP, Houston, Texas.
Disclosure Counsel.....	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
Financial Advisor.....	Robert W. Baird & Co. Incorporated, Houston, Texas.
Engineer	BGE, Inc., Houston, Texas.
Paying Agent/Registrar	BOKF, NA, Dallas, Texas.

THE DISTRICT

Description.....	<p>The District is a political subdivision of Texas, located approximately 50 miles west of the central business district of Houston and 3 miles from the City. The District is bounded on the west by Jordan Road and FM 359 and is entirely within the boundaries of Fort Bend County. The District is a municipal utility district created by an order of the TCEQ. The District operates in accordance with Section 52, Article III, and Section 59, Article XVI of the Texas Constitution, and Chapters 49 and 54 of the Texas Water Code, as amended. The District consists of approximately 471.37 acres. There have been no annexations or exclusions since the creation of the District. The District lies wholly within the extraterritorial jurisdiction of the City. See "THE DISTRICT."</p> <p>The District, Fort Bend County Municipal Utility District No. 214 ("FBMUD 214"), and Fort Bend County Municipal Utility District No. 195 ("FBMUD 195") are collectively referred to herein as the "Participants," and collectively comprise of the area referred to herein as the "Service Area," which includes the 1,248.8-acre master-planned community known as Cross Creek West (herein defined), and the approximately 139.8-acre residential community called Summerview which is not a part of Cross Creek West, but is located within the Service Area. See "THE DISTRICT."</p>
Cross Creek West.....	The District is one of a total of three municipal utility districts included in the approximately 1,248.80-acre master-planned community known as Cross Creek West ("Cross Creek West"). The Participants are served by Fort Bend County Municipal Utility District No. 214 as the "Master District". The Master District serves as a regional provider of the Master District Facilities (defined herein), to the Participants. The District consists of approximately 471.37 total acres, FBMUD 195 consists of approximately 627.84 total acres (including approximately 139.80 acres known as Summerview, not located within Cross Creek West), and FBMUD 214 consists of approximately 291.48 total acres.
Development.....	The District is being developed as the residential community known as Cross Creek West. To date, approximately 246.93 acres within the District have been developed as 1,006 single-family lots in the following single-

family residential subdivisions: Cross Creek West Sections 1-11 and 13. As of September 11, 2025, development in the District consisted of 715 completed homes (672 occupied, and 43 unoccupied); 67 homes under construction; and 224 vacant developed lots. Approximately 24 acres within the District are designated for commercial use (approximately 15 acres of which are currently developed). The remainder of land in the District consists of approximately 28.39 undeveloped but developable acres, and approximately 114.72 undevelopable acres, and approximately 33.21 acres (124 lots) and 18.12 acres (71 lots) are currently under development as the single family residential subdivision of Cross Creek West, Sections 12 and 14, respectively. An elementary school is located on approximately 15 acres owned by Lamar Independent School District. The school is exempt from payment of property taxes. See "DEVELOPMENT OF THE DISTRICT."

Developer.....	CCR West Inc., a Texas Corporation, ("CCW" or the "Developer") is the developer of land in the District. CCW was created for the purpose of developing land in Cross Creek West. Fulshear FF Texas Holding LP ("Fulshear FF"), is the entity that was formed for purposes of acquiring and holding tracts of land within the District. CCW is responsible for constructing the improvements to serve Cross Creek West and delivers finished lots to the homebuilders within Cross Creek West. Fulshear FF and CCW are affiliates of Johnson Development Corp. ("JDC"). JDC is a land developer of residential and commercial properties across the country, and, since its establishment in 1975, has been involved in more than 100 projects resulting in the development of more than 40,000 acres devoted to multiple-use commercial parks; office buildings; retail centers; championship golf courses; and residential communities. In Texas, JDC is responsible for the development of several master-planned communities, including: Cross Creek Ranch; Harvest Green; Jordan Ranch; Riverstone; Imperial; Fall Creek; Tuscan Lakes; Edgewater; Woodforest; Harmony; Grand Central Park; Sienna; Veranda; Willow Creek Farms; Trinity Falls; and Viridian. See "DEVELOPER."
Active Homebuilders	Homebuilders active in the District include: Westin Homes; Perry Homes; Highland Homes; Lennar; and Newmark. Prices of new homes being constructed in Cross Creek West range from \$365,000 to \$731,000.
Master District Facilities	<p>The Master District, in its capacity as the provider of regional water, wastewater, drainage facilities (the "Master District System Facilities"); regional arterial, collector, and thoroughfare roads and improvements in aid thereof (the "Master District Road Facilities"); park and recreational facilities; and firefighting facilities necessary to serve the Service Area, which includes the District (collectively referred to herein as the "Master District Facilities"), constructs the Master District Facilities and provides services from those Master District Facilities. Each Participant, including the District, is obligated severally, but not jointly, to make contract payments to the Master District in an amount sufficient to pay its debt service requirements on contract revenue bonds issued by the Master District.</p> <p>The Master District intends to issue its third issue of \$2,775,000 principal amount of contract revenue bonds for Master District System Facilities in November 2025. At the delivery of the Bonds, the Master District will have \$26,730,000 principal amount of contract revenue bonds outstanding (inclusive of the anticipated bond issues). See "MASTER DISTRICT CONTRACT."</p>

INVESTMENT CONSIDERATIONS

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

**SELECTED FINANCIAL INFORMATION
(UNAUDITED)**

2025 Assessed Taxable Valuation	\$ 310,507,328	(a)
Estimated Assessed Taxable Valuation as of July 15, 2025	\$ 380,981,177	(b)
Direct Debt:		
The Outstanding Bonds	\$ 25,540,000	
The Bonds	<u>\$ 11,325,000</u>	
Total	\$ 36,865,000	
Estimated Overlapping Debt	<u>\$ 50,992,198</u>	(c)
Total Direct and Estimated Overlapping Debt	\$ 87,857,198	(c)
Direct Debt Ratios:		
As a Percentage of the 2025 Assessed Taxable Valuation	11.87	%
As a Percentage of the Estimated Assessed Taxable Valuation as of July 15, 2025	9.68	%
Direct and Estimated Overlapping Debt Ratios:		
As a Percentage of the 2025 Assessed Taxable Valuation	28.29	%
As a Percentage of the Estimated Assessed Taxable Valuation as of July 15, 2025	23.06	%
Utility System Debt Service Fund Balance (as of September 11, 2025)	\$ 557,041	(d)
Road System Debt Service Fund Balance (as of September 11, 2025)	\$ 526,255	(e)
General Fund Balance (as of September 11, 2025)	\$ 2,325,411	
2024 Tax Rate per \$100 of Assessed Taxable Valuation:		
Contract Tax	\$ 0.265	
Utility System Debt Service	\$ 0.230	
Road System Debt Service	\$ 0.240	
Maintenance and Operation	<u>\$ 0.765</u>	
Total	\$ 1.500	(f)
Estimated Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2026–2050)	\$ 2,464,662	(g)
Estimated Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2050)	\$ 2,537,613	(g)
Debt Service Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay the Estimated Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2026–2050) at 95% Tax Collections:		
Based on the 2025 Assessed Taxable Valuation	\$ 0.84	
Based on the Estimated Assessed Taxable Valuation as of July 15, 2025	\$ 0.69	
Debt Service Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay the Estimated Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2050) at 95% Tax Collections:		
Based on the 2025 Assessed Taxable Valuation	\$ 0.87	
Based on the Estimated Assessed Taxable Valuation as of July 15, 2025	\$ 0.71	
Single-Family Homes (including 67 under construction) as of September 11, 2025	782	

-
- (a) Represents the assessed valuation of all taxable property within the District as of January 1, 2025, as provided by the Fort Bend Central Appraisal District (the "Appraisal District"). This value includes \$11,658,676 of uncertified value, which represents 85% of the value under arbitration by the Appraisal District. See "TAX DATA" and "TAXING PROCEDURES."
 - (b) Provided by the Appraisal District for informational purposes only, this amount represents an estimate of all taxable property within the District as of July 15, 2025, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2025, through July 15, 2025. No taxes will be levied against this amount. See "TAX DATA" and "TAXING PROCEDURES."
 - (c) See "DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement."
 - (d) At the delivery of the Series 2025A Bonds, six (6) months of capitalized interest will be deposited into this fund. Neither Texas law nor the Series 2025A Bond Resolution requires that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued for the Road System, including the Road Bonds.
 - (e) At the delivery of the Road Bonds, six (6) months of capitalized interest will be deposited into this fund. Neither Texas law nor the Road Bond Resolution requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued for the Utility System, including the Series 2025A Bonds.
 - (f) The District has authorized publication of its intent to levy a total tax rate of \$1.50 per \$100 of taxable assessed valuation, which includes a Contract Tax of \$0.265 per \$100 of assessed valuation, a Utility System debt service tax rate of \$0.230 per \$100 of assessed valuation, a Road System debt service tax rate of \$0.240 per \$100 of assessed valuation, and a maintenance and operation tax rate of \$0.765 per \$100 of assessed valuation.
 - (g) Estimated requirement of debt service on the Bonds and the Outstanding Bonds. Debt service on the Bonds is estimated at an interest rate of 4.75%. See "DISTRICT DEBT – Pro-Forma Debt Service Requirement Schedule."

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 198

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

\$6,325,000
Unlimited Tax Bonds
Series 2025A

\$5,000,000
Unlimited Tax Road Bonds
Series 2025

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Fort Bend County Municipal Utility District No. 198 (the "District") of the \$6,325,000 Unlimited Tax Bonds, Series 2025A (the "Series 2025A Bonds"), and the \$5,000,000 Unlimited Tax Road Bonds, Series 2025 (the "Road Bonds," and together with the Series 2025A Bonds, the "Bonds").

The Series 2025A Bonds are issued pursuant to: an order of the Texas Commission on Environmental Quality (the "TCEQ"); the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended; Article XVI, Section 59, of the Texas Constitution; a resolution authorizing the issuance of the Series 2025A Bonds adopted by the Board of Directors of the District (the "Board") on the date of the sale of the Series 2025A Bonds (the "Series 2025A Bond Resolution"); and an election held in the District on November 6, 2018.

The Road Bonds are issued pursuant to: the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended; Article III, Section 52 of the Texas Constitution; a resolution authorizing the issuance of the Road Bonds adopted by the Board on the date of the sale of the Road Bonds (the "Road Bond Resolution," and together with the Series 2025A Bond Resolution, the "Bond Resolutions"); and an election held within the District on November 6, 2018.

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

INVESTMENT CONSIDERATIONS

General

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

Factors Affecting Taxable Values and Tax Payments

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

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

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

debt service obligations. As illustrated under “TAX DATA – Principal Taxpayers,” the District’s principal taxpayers in 2025 owned property in the District aggregating approximately 6.90% of the 2025 Assessed Taxable Valuation. The Developer represents approximately 2.72% of such amount. In the event that the Developer, any homebuilders within the District, any other taxpayer, or any combination of taxpayers, should default in the payment of taxes in an amount which exceeds the District’s debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax liens, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate. The District is not required by law or the Bond Resolutions to maintain any specified amount of surplus in its interest and sinking fund. See “TAX DATA – Principal Taxpayers” and “TAXING PROCEDURES – Levy and Collection of Taxes.”

Maximum Impact on District Tax Rates: Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2025 Assessed Taxable Valuation of all taxable property in the District is \$310,507,328 and the Estimated Assessed Taxable Valuation as of July 15, 2025, of all taxable property in the District is \$380,981,177. After issuance of the Bonds, the estimated maximum annual debt service requirement on the Bonds and the Outstanding Bonds will be \$2,537,613 (2050) and the estimated average annual debt service requirement on the Bonds and the Outstanding Bonds will be \$2,464,662 (2026–2050). Assuming no increase to nor decrease from the 2025 Assessed Taxable Valuation, tax rates of \$0.87 and \$0.84 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the estimated maximum annual debt service requirement and the estimated average annual debt service requirement, respectively. Assuming no increase to nor decrease from the Estimated Assessed Taxable Valuation as of July 15, 2025, tax rates of \$0.71 and \$0.69 per \$100 of assessed valuation at 95% tax collection rate would be necessary to pay the estimated maximum annual debt service requirement and the estimated average annual debt service requirement, respectively.

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

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

Vacant Developed Lots

As of September 11, 2025, approximately 224 developed lots within the District remained available for construction. Failure of the Developer and/or builders to construct taxable improvements on developed lots could result in substantial increases in the rate of taxation by the District during the term of the Bonds to pay debt service on the Bonds and any other tax supported debt of the District issued in the future. Future increases in value will result primarily from the construction of homes by builders. The District makes no representation that the lot sales and building program will be successful.

Increase in Costs of Building Materials

As a result of supply issues, shipping constraints, and ongoing trade disputes (including tariffs), there have been recent substantial increases in the cost of lumber and other building materials, causing many homebuilders and general contractors to experience budget overruns. Further, the unpredictable nature of current trade policy (including the threatened imposition of tariffs) may impact the ability of the Developer or homebuilders in the District to estimate costs. Additionally, immigration policies may affect the State’s workforce, and any labor shortages that could occur may impact the rate of construction within the District. Uncertainty surrounding availability and cost of materials may result in decreased levels of construction activity, and may restrict the growth of property values in the District. The District makes no representations regarding the probability of development or homebuilding continuing in a timely manner or the effects that current or future economic or governmental circumstances may have on any plans of the Developer or homebuilders.

Special Flood Type Risks

The District may be subject to the following flood risks:

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

Riverine (or Fluvial) Flood: Riverine, or fluvial, flooding occurs when water levels rise over the top of river, bayou, or channel banks due to excessive rain from tropical systems making landfall and/or persistent thunderstorms over the same area for extended periods of time. The damage from a riverine flood can be widespread. The overflow can affect smaller rivers and streams downstream or may sheet-flow over land. Flash flooding is a type of riverine flood that is characterized

by an intense, high velocity torrent of water that occurs in an existing river channel with little to no notice. Flash flooding can also occur even if no rain has fallen, for instance, after a levee, dam or reservoir has failed or experienced an uncontrolled release, or after a sudden release of water by a debris or ice jam. In addition, planned or unplanned controlled releases from a dam, levee or reservoir also may result in flooding in areas adjacent to rivers, bayous, or drainage systems downstream.

Potential Impact of Natural Disaster

The District is located near the Texas Gulf Coast and has been and could again be impacted by high winds, heavy rains, and flooding caused by hurricane, tornado, tropical storm, or other adverse weather events. 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 and an increase in the District's tax rates. See "TAXING PROCEDURES – Property Tax Code and County-Wide Appraisal District" and "TAXING PROCEDURES – Valuation of Property for Taxation."

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 meteorological events.

Potential Effects of Oil Price Fluctuations on the Houston Area

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

Debt Burden on Property Within the Service Area

The total tax rate paid by property owners within the Service Area (defined herein) is a major factor in the demand for single-family homes within the Service Area (defined herein). The Master District Contract (defined herein) requires that the Participants (defined herein) make Contract Payments (defined herein) from the Contract Tax (defined herein). In addition, other contract tax payments are required of the Participants by the Master District Contract. See "MASTER DISTRICT CONTRACT." Furthermore, each Participant will be required to levy taxes on property within its boundaries (without legal limit as to rate or amount) to pay annual principal and interest on any unlimited tax bonds issued in the future by the Participant to fund internal water, wastewater, drainage, and road facilities within the Participant's boundaries. Each Participant may also levy taxes on property within its boundaries to pay operations and maintenance expenses. For the 2024 tax year, the District levied a total tax rate of \$1.50. FBMUD 214 has not levied a tax rate to date, but may levy a tax rate at a future date.

The tax rate that may be required to service debt on any bonds issued by the Master District (defined herein) or a Participant is subject to numerous uncertainties such as the growth of taxable values within such district, the amount of the bonds issued, regulatory approvals, construction costs and market interest rates. There can be no assurances that composite tax rates imposed by overlapping jurisdictions on property situated in the Service Area will be competitive with the tax rates of competing projects. To the extent that such composite tax rates are not competitive with competing developments, the growth of property tax values in the Service Area and the investment quality or security of the Bonds could be adversely affected.

In addition, the Participants are within the taxing jurisdiction of other taxing entities, including Fort Bend County and Lamar Consolidated Independent School District, as applicable. Each of these entities currently levies various taxes on property within the boundaries, as applicable, of the Participants in addition to the other taxes listed above.

Competitive Nature of Residential Housing Market

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

Tax Collection Limitations

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

Registered Owners' Remedies and Bankruptcy

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

Marketability

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

Future Debt

The Series 2025A Bonds constitute the third series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing water, wastewater, and storm drainage facilities to serve the District (the "Utility System"). The Road Bonds constitute the second series of unlimited tax bonds issued for the purpose of acquiring or constructing road improvements to serve the District (the "Road System"). Voters in the District have authorized a total of \$206,030,500 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System, and for refunding such bonds, \$68,445,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, and for refunding such bonds. Additionally, voters in the District have authorized a total of \$30,693,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District, and for refunding such bonds. Following the issuance of the Bonds, \$181,655,500 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System, and for refunding such bonds; \$55,955,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, and for refunding such bonds; and \$30,693,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District, and for refunding such bonds, will remain authorized and unissued.

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

The Master District intends to issue its third issue of \$2,775,000 principal amount of contract revenue bonds for Master District System Facilities (defined herein) in November 2025. At the delivery of the Bonds, the Master District will have \$26,730,000 principal amount of contract revenue bonds outstanding (inclusive of the anticipated bond issues). See "MASTER DISTRICT CONTRACT."

Issuance of the remaining authorized \$181,655,500 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System, as well as the remaining authorized \$30,693,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District, is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. The principal amount of park bonds sold by the District is limited to 1% of the District's assessed valuation, however, if the District meets certain financial feasibility requirements under TCEQ rules, the outstanding principal amount of such bonds issued by the District may exceed an amount equal to 1% but not greater than 3% of the value of the taxable property in the District.

Following the reimbursement with the proceeds of the Bonds, the District will owe the Developer approximately \$15,764,000 for reimbursable expenditures advanced to develop land in the District. See "THE BONDS – Issuance of Additional Debt."

Continuing Compliance with Certain Covenants

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

Environmental Regulations

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

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

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

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

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

The HGB Area is currently designated as a “serious” nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2027. 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. Further, the EPA has established a NPDWR for six (6) Per- and Polyfluoroalkyl Substances (“PFAS”), which requires public water systems to perform certain monitoring and remediation measures. Public water systems may be subject to additional PFAS regulation in the future, which could increase the cost of constructing, operating, and maintaining water production and distribution facilities.

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 August 15, 2024. 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. Subsequently, the EPA and USACE issued a final rule amending the definition of “waters of the United States” under the CWA to conform with the Supreme Court’s decision.

While the *Sackett* decision and subsequent legislation 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.

2025 Legislative Session

The 89th Regular Legislative Session convened on January 14, 2025, and concluded on June 2, 2025. The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor of Texas (the “Governor”) may call one or more special sessions, at the Governor’s discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. During this time, the Legislature may enact laws that materially change current laws affecting ad valorem tax matters, including rollback elections for maintenance tax increases, and other matters which could adversely affect the marketability or market value of the Bonds. On June 23, 2025, the Governor called a special session which began on July 21, 2025, and ended on August 15, 2025. The Governor immediately called a second special session which began on August 15, 2025 and ended September 4, 2025. The District can make no representations or predictions regarding any actions the Texas Legislature may take or the effect of any such actions.

Approval of the Bonds

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

Bond Insurance Risk Factors

*The District has applied for a bond insurance policy related to each series of the Bonds to guarantee the scheduled payment of principal and interest on the Bonds. **The purchase of insurance is mandatory for the Series 2025A Bonds.** The following are risk factors relating to bond insurance.*

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

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

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

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

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

Neither the District or the Initial 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 Bonds and the claims paying ability of the bond insurer, particularly over the life of the investment. See “MUNICIPAL BOND INSURANCE” for further information provided by the bond insurer and the Policy, which includes further instructions for obtaining current financial information concerning the bond insurer.

THE BONDS

General

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

The Bonds are dated November 1, 2025, and mature on September 1 in the years and in the principal amounts shown on the inside cover page hereof. Interest on the Bonds accrues from the initial date of delivery (on or about November 19, 2025), with interest payable on March 1, 2026 and each September 1 and March 1 thereafter (each an “Interest Payment Date”) until the earlier of stated maturity or prior redemption. Principal of the Bonds is payable to the Registered Owners (herein defined) at the principal office of, initially, BOKF, NA, Dallas, Texas (the “Paying Agent/Registrar”), upon surrender of the Bonds for payment at the stated maturity or upon prior redemption. Unless otherwise agreed between the Paying Agent/Registrar and a Registered Owner, interest on the Bonds is dated as of the Interest Payment Date and payable to each Registered Owner, as shown on the records of the Paying Agent/Registrar on the close of business on the 15th day of the calendar month next preceding each Interest Payment Date (the “Record Date”). The Bonds will be issued only in fully registered form in the denomination of \$5,000 of principal amount, or any integral multiple thereof.

Book-Entry-Only System

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

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be required by an authorized representative of DTC. One (1) fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (the “Direct Participants”) deposit with DTC.

DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the “Indirect Participants,” and together with the Direct Participants, the “Direct and Indirect Participants”). DTC has a rating of AA+ from S&P Global Ratings. The DTC rules applicable to its Direct and Indirect Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

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

through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the Book-Entry-Only System is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

Successor Paying Agent/Registrar

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

Registration, Transfer, and Exchange

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

Redemption of the Bonds

The Bonds maturing on September 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 September 1, 2030, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given by the Paying Agent/Registrar at least 30 days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such random method as the Paying Agent/Registrar deems fair and appropriate in integral multiples of \$5,000 within any one (1) maturity. The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Mutilated, Lost, Stolen or Destroyed Bonds

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

Authority for Issuance

The Series 2025A Bonds are issued pursuant to: an order of the TCEQ; the general laws of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended; Article XVI, Section 59, of the Texas Constitution; the Series 2025A Bond Resolution; and an election held in the District on November 6, 2018.

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

Before the Bonds are issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained herein.

Issuance of Additional Debt

The District may issue additional bonds necessary to provide improvements and facilities consistent with the purposes for which the District was created. The Series 2025A Bonds constitute the third series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing the Utility System. The Road Bonds constitute the second series of unlimited tax bonds for the purpose of acquiring or constructing the Road System. Voters in the District have authorized a total of \$206,030,500 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility

System, and for refunding such bonds, \$68,445,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, and for refunding such bonds. Additionally, voters in the District have authorized a total of \$30,693,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District, and for refunding such bonds.

Following the issuance of the Bonds, \$181,655,500 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System, and for refunding such bonds; \$55,955,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, and for refunding such bonds; and \$30,693,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District, and for refunding such bonds, will remain authorized and unissued. The Bond Resolutions impose no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and, in the case of bonds issued by the District for the Utility System (including bonds issued for parks and recreational facilities to serve the District, such as the Bonds, approved by the TCEQ). The District's issuance of bonds for the Road System is not subject to approval by the TCEQ.

The District is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) authorization of a detailed fire protection plan; (b) approval of the fire plan by the TCEQ; (c) approval of the fire plan by the voters of the District; and (d) approval of bonds, if any, by the Attorney General of Texas. The Board has not considered adoption of a fire plan or calling an election at this time for such purposes. If additional debt obligations are issued in the future by the District, such issuance may increase gross debt-property ratios and might adversely affect the investment security of the Bonds.

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

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

Source of Payment

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

Bonds issued for the Utility System and the Road System are each supported by the proceeds of a separate unlimited tax levied annually by the District. Amounts on deposit in the Utility System debt service fund may not be used to pay debt service on bonds issued by the District for the Road System, including the Road Bonds. Amounts on deposit in the Road System debt service fund may not be used to pay debt service on the bonds issued by the District for the Utility System, including the Series 2025A Bonds.

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

Payment Record

The District has never defaulted in payment of its bonded indebtedness. See "THE BONDS – Source of Payment."

Outstanding Bonds

The District has previously issued the: \$7,490,000 Fort Bend County Municipal Utility District No. 198 Unlimited Tax Road Bonds, Series 2024A, \$7,070,000 Fort Bend County Municipal Utility District No. 198 Unlimited Tax Bonds, Series 2024, and \$10,980,000 Fort Bend County Municipal Utility District No. 198 Unlimited Tax Bonds, Series 2025. At the time of delivery

of the Bonds, \$25,540,000 principal amount of such previously issued debt will remain outstanding (the "Outstanding Bonds").

Funds

In the Series 2025A Bond Resolution, the Utility System Debt Service Fund is confirmed, and the proceeds from all taxes levied, appraised and collected for and on account of the Series 2025A Bonds authorized by the Series 2025A Bond Resolution shall be deposited, as collected, in such fund.

Six (6) months of capitalized interest will be deposited into the Utility System Debt Service Fund upon closing of the Series 2025A Bonds.

Amounts on deposit in the Utility System Debt Service Fund may not be used to pay debt service on bonds issued by the District for the Road System, including the Road Bonds and the Outstanding Bonds issued for the Road System.

Proceeds of sale of the Series 2025A Bonds shall be deposited into the Utility Capital Projects Fund, to be used for the purpose of funding certain construction costs and for paying the costs of issuance of the Series 2025A Bonds.

Any monies remaining in the Utility Capital Projects Fund will be used as described in the Series 2025A Bond Resolution or ultimately transferred to the Utility System Debt Service Fund. See "Use and Distribution of the Series 2025A Bond Proceeds" below for a complete description of the use of Series 2025A Bond proceeds and the projects related thereto.

In the Road Bond Resolution, the Road System Debt Service Fund is confirmed, and the proceeds from all taxes levied, appraised and collected for and on account of the Road Bonds authorized by the Road Bond Resolution shall be deposited, as collected, in such fund. Six (6) months of capitalized interest will be deposited into the Road System Debt Service Fund upon closing of the Series 2025 Bonds.

Amounts on deposit in the Road System Debt Service Fund may not be used to pay debt service on bonds issued by the District for the Utility System, including the Series 2025A Bonds and the Outstanding Bonds issued for the Utility System.

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

Annexation

Under existing Texas law, since the District lies wholly in the extraterritorial jurisdiction of the City, the District must conform to a City consent ordinance. Generally, the District may be annexed by the City without the District's consent, and the City cannot annex territory in the District unless it annexes the entire District. However, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement ("SPA") between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District. The District does not currently have an SPA with the City.

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

Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets (such as cash and the Utility System) and liabilities (such as the Bonds), with the assets and liabilities of districts with which it is consolidating. Although no consolidation is presently contemplated by the District, no representation is made concerning the likelihood of consolidation in the future.

No Arbitrage

The District will certify, on the date of delivery of the Bonds, that based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under the Internal Revenue Code of 1986 (the "Code"), and the regulations prescribed thereunder.

Furthermore, all officers, employees, and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District are authorized to certify to the facts and circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District covenants that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds and take such other and further actions and follow such procedures, including, without limitation, calculating the yield on the Bonds, as may be required so that the Bonds shall not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

Defeasance

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

Upon such deposit as described above, such Bonds shall no longer be regarded as outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

"(a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic.

(b) A district's bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any un-matured interest coupons attached to them."

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

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

Registered Owners' Remedies

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

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the District to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Resolutions do not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year.

Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further limited by laws and principles relating to sovereign immunity, bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners.

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Use and Distribution of the Series 2025A Bond Proceeds

Proceeds from the sale of the Series 2025A Bonds will be used to reimburse the Developer for the projects and related costs shown below. Additionally, proceeds from the sale of the Series 2025A Bonds will be used to pay developer interest; six (6) months of capitalized interest; and certain other costs associated with the issuance of the Series 2025A Bonds, as shown below.

Non-construction costs are based upon either contract amounts or various cost estimates by the Engineer and the Financial Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the Auditor (herein defined).

CONSTRUCTION COSTS		District's Share
A. Developer Contribution Items		
1. Cross Creek West Section 8 – W, WW, & D		\$ 1,865,007
2. Cross Creek West Section 10 – W, WW, & D		1,634,691
3. Cross Creek West Blvd. Ext. 1 – W, WW, & D		1,123,479
4. Cross Creek West Detention Channels Phase 3		377,059
5. Engineering & Testing (15.50% of Items 1 - 4)		774,835
6. Storm Water Pollution Prevention (2.81% of Items 1 - 7)		<u>85,172</u>
Total Developer Contribution Items		\$ 5,860,243
SUBTOTAL CONSTRUCTION COSTS		\$ 5,860,243
LESS SURPLUS FUNDS APPLIED		\$ <u>(400,000)</u>
TOTAL CONSTRUCTION COSTS		<u>\$ 5,460,243</u>
NON-CONSTRUCTION COSTS		
A. Legal Fees		\$ 166,500
B. Fiscal Agent Fees		126,500
C. Interest Costs		
1. Capitalized Interest (6 months @ 5.25%)		166,031
2. Developer Interest		109,746
D. Bond Discount (3.00%)		189,750
E. Bond Issuance Expenses		39,092
F. Bond Application Report		45,000
G. Attorney General Fee (0.10%)		6,325
H. TCEQ Bond Issuance Fee (0.25%)		<u>15,813</u>
TOTAL NON-CONSTRUCTION COSTS		<u>\$ 864,757</u>
TOTAL BOND ISSUE REQUIREMENT		<u>\$ 6,325,000</u>

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

Use and Distribution of the Road Bond Proceeds

Proceeds from the sale of the Road Bonds will be used to reimburse the Developer for the projects and related costs shown below. Additionally, proceeds from the sale of the Road Bonds will be used to pay developer interest; six (6) months of capitalized interest; and certain other costs associated with the issuance of the Road Bonds, as shown below.

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

CONSTRUCTION COSTS		District's Share
A. Construction Costs		
1. Cross Creek West Section Six		\$ 262,415
2. Cross Creek West Section Seven		1,063,445
3. Cross Creek West Section Nine		978,637
4. Cross Creek West Section Eight		292,730
5. Engineering		369,636
6. Geotechnical Report		14,850
7. Materials Testing		92,101
8. Land Acquisition for Road Right-of-Way		<u>1,031,926</u>
TOTAL CONSTRUCTION COSTS		<u>\$ 4,105,739</u>
NON-CONSTRUCTION COSTS		
A. Legal Fees		\$ 140,000
B. Fiscal Agent Fees		100,000
C. Bond Engineering Report Costs		25,000
D. Interest		
1. Capitalized Interest (6 months @ 5.25%)		131,250
2. Developer Interest		307,471
E. Bond Discount		150,000
F. Bond Issuance Expenses		35,540
G. Attorney General Fee (\$9,500 Max.)		<u>5,000</u>
TOTAL NON-CONSTRUCTION COSTS		<u>\$ 894,261</u>
TOTAL BOND ISSUE REQUIREMENT		<u>\$ 5,000,000</u>

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

THE DISTRICT

Authority

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

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

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

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

Description

The District is a political subdivision of Texas, located approximately 50 miles west of the central business district of Houston and 3 miles from the City of Fulshear. The District is bounded on the west by Jordan Road and FM 359 and is entirely within the boundaries of Fort Bend County. The District consists of approximately 471.37 acres. There have been no annexations or exclusions since the creation of the District. The District lies wholly within the extraterritorial jurisdiction of the City.

Management of the District

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

Name	Title	Term Expires May
Burke Sunday	President	2026
Chris Kolkhorst	Vice President	2026
Robert Bardin	Secretary	2028
Jeff Tobin	Assistant Secretary	2028
JoAnn Ramos	Assistant Vice President	2028

Investment Policy

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

Consultants

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

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

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

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

Auditor: As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which audit reports are filed with the TCEQ. The District's financial statements for the fiscal year ended September 30, 2024, were audited by McGrath & Co., PLLC, Houston, Texas (the "Auditor") and are attached as "APPENDIX A."

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

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

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

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

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DEVELOPMENT OF THE DISTRICT

The District is being developed as the residential community known as Cross Creek West. To date, approximately 246.93 acres within the District have been developed as 1,006 single-family lots in the following single-family residential subdivisions: Cross Creek West Sections 1-11 and 13. As of September 11, 2025, development in the District consisted of 715 completed homes (672 occupied, and 43 unoccupied); 67 homes under construction; and 224 vacant developed lots. Approximately 24 acres within the District are designated for commercial use (approximately 15 of which acres are currently developed). The remainder of land in the District consists of approximately 28.39 undeveloped but developable acres, and approximately 114.72 undevelopable acres, and approximately 33.21 acres (124 lots) and 18.12 acres (71 lots) are currently under development as the single family residential subdivision of Cross Creek West, Sections 12 and 14, respectively. An elementary school is located on approximately 15 acres owned by Lamar Independent School District. The school is exempt from payment of property taxes.

Status of Development within the District

The following is a status of construction of single-family housing in the District as of September 11, 2025:

Section	Type of Development	Acreage	No. of Lots	Homes		Vacant Developed Lots
				Complete	Under Construction	
Cross Creek West, Section 1	Single Family	6.05	16	8	0	8
Cross Creek West, Section 2	Single Family	22.27	96	95	0	1
Cross Creek West, Section 3	Single Family	23.30	109	109	0	0
Cross Creek West, Section 4	Single Family	26.40	94	93	0	1
Cross Creek West, Section 5	Single Family	22.72	95	95	0	0
Cross Creek West, Section 6	Single Family	20.64	75	68	2	5
Cross Creek West, Section 7	Single Family	26.44	119	119	0	0
Cross Creek West, Section 8	Single Family	28.89	114	13	25	76
Cross Creek West, Section 9	Single Family	20.07	69	53	6	10
Cross Creek West, Section 10	Single Family	17.37	68	0	15	53
Cross Creek West, Section 11	Single Family	28.86	127	0	1	126
Cross Creek West, Section 13	Single Family	3.92	13	0	6	7
Approximate Total		246.93	1,006	715	67	224
Undevelopable		114.72				
Under Construction		51.33				
Developed Commercial		15.00				
School Site		15.00				
Remaining Developable		28.39 (a)				
Total District Acreage		471.37				

(a) Includes approximately 9 acres designated for commercial use.

Homebuilders Active within the District

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

DEVELOPER

Role of a Developer

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

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

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

Developer

CCR West Inc., a Texas Corporation, ("CCW" or the "Developer") is the primary developer of land District. CCW was created for the purpose of developing land in Cross Creek West. Fulshear FF Texas Holding LP ("Fulshear FF"), is the entity that was formed for purposes of acquiring and holding tracts of land within the District. CCW is responsible for constructing the improvements to serve Cross Creek West and delivers finished lots to the homebuilders within Cross Creek West. Fulshear FF and CCW are affiliates of Johnson Development Corp. ("JDC"). JDC is a land developer of residential and commercial properties across the country, and, since its establishment in 1975, has been involved in over 100 projects resulting in the development of over 40,000 acres devoted to multiple-use commercial parks; office buildings; retail centers; championship golf courses; and residential communities. In Texas, JDC is responsible for the development of several master-planned communities, including: Cross Creek Ranch; Harvest Green; Jordan Ranch; Riverstone; Imperial; Fall Creek; Tuscan Lakes; Edgewater; Woodforest; Harmony; Grand Central Park Sienna; Veranda; Willow Creek Farms; Trinity Falls; and Viridian.

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

Development Financing

On May 12, 2022, the Developer obtained an infrastructure development loan from Third Coast Bank SSB Bank. The loan has a maximum principal balance of \$17,000,000 and matures on May 12, 2027. The outstanding balance as of September 18, 2025, is \$5,557,817.40 and, according to the Developer, it is in compliance with all material conditions of the loan. The loan is collateralized by receivables due from the District and land within the district.

THE UTILITY SYSTEM

Regulation

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

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

Water, Wastewater, and Storm Drainage System

Water Supply: Fort Bend County Municipal Utility District No. 214 (the "Master District") is responsible for providing major water supply and distribution facilities to the Participants located within the approximately 1,388.61 acre Service Area. The District, Fort Bend County Municipal Utility District No. 214 ("FBMUD 214") and Fort Bend County Municipal Utility District No. 195 ("FBMUD 195") are collectively referred to herein as the "Participants." The Participants will finance their respective shares of the water supply facilities by a contract tax paid by each Participant to the Master District. The Participants receive potable water from Water Well No. 1 (1,500 gpm) and Water Well No. 2 (350 gpm) at Water Plant No. 1, which is operated by the Master District. Under the Master District Contract, capacity from the Master District is reserved through the payment of Connection Charges by each Participant or through capital contributions toward construction costs. The 2025 ground water permit issued to the Master District by the Fort Bend Subsidence District ("FBSD") in the amount of 100 million gallons for January 1, 2025 through December 31, 2025 includes a sufficient amount to serve the Participants. The wells constructed by the Master District are within the regulatory area of the FBSD. The FBSD 2003 Regulatory Plan requires a district located in the Regulatory Area to draft or be part of a groundwater reduction plan ("GRP") by 2008. A district must be part of a GRP, which provides for 30% surface water conversion by 2014 and 60% surface water conversion by 2025. In 2005 and 2013, the Texas Legislature created the North Fort Bend Water Authority ("NFBWA") and the West Fort Bend Water Authority ("WFBWA") to, among other things, reduce groundwater usage in, and to provide surface water to, the northern portion of Fort Bend County and a small portion of Harris County. The WFBWA is not currently active. The NFBWA has prepared and obtained FBSD approval of its GRP. A portion of the Master District's Service Area, including a majority of the District, is located within the boundaries of the NFBWA and a portion of the Master District's Service Area, including a portion of the District, is located within the boundaries of the WFBWA. The portion of the District located within the boundaries of the NFBWA is part of the NFBWA's GRP and is actively in compliance with the FBSD's regulation.

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

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

Wastewater Treatment: The Master District is responsible for providing major wastewater collection and treatment facilities to the Service Area. The Participants will finance their share of the wastewater treatment facilities by a contract tax paid by each Participant to the Master District. The Participant receives wastewater treatment service from a wastewater treatment plant, servicing 0.2 million gallons per day ("MGD"), which is leased from AUC Group, L.P. ("AUC"). Based on the existing capacity of 200,000 gpd and a design factor of 300 gallon-per-day ("gpd") per connection, the wastewater treatment facilities are capable of serving 667 equivalent single-family connections. A 300,000 gpd Phase II expansion is under construction and will be completed this year. The Phase II lease will begin in October 1, 2025. According to the Engineer and based on current flow rates, the 0.2 mgd expanded plant will be capable of serving the 667 single-family homes currently in the Service Area.

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

100 Year Flood Plain

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

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

National Weather Service Atlas 14 Rainfall Study

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

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General Fund Operating Statement

The following is a schedule of revenues and expenditures associated with operations of the Utility System. The figures below were obtained from the District's financial statements for the fiscal years ended September 30, 2021, through September 30, 2024. The figures from October 1, 2024 to August 31, 2025, are unaudited and were provided by the bookkeeper. A copy of the District's audited financial statements for fiscal year ended September 30, 2024, is included as "APPENDIX A" and reference to which is hereby made. The District is required by statute to have an independent certified public accountant audit the District's financial statements annually, such audited financial statements are filed with the TCEQ.

	Fiscal Year Ended				
	09/30/2025 (a)	09/30/2024	09/30/2023	09/30/2022	09/30/2021 (b)
REVENUES					
Water service	\$ 359,027	\$ 189,713	\$ 89,997	\$ 1,315	\$ -
Sewer service	407,921	235,941	96,781	1,105	-
Property taxes	1,524,015	1,021,428	677,827	2,276	-
Penalties and interest	23,718	32,335	34,530	52	-
Surface water fees	464,341	317,121	188,610	222	-
Tap connection and inspection	898,636	750,494	680,768	195,405	-
Lease contributions	-	-	-	8,250	5,500
Capacity Charges	-	159,007			
Miscellaneous	-	3,341	1,003	1,300	-
Investment earnings	55,027	31,564	1,486	44	4
TOTAL REVENUES	\$ 3,732,684	\$ 2,740,944	\$ 1,771,002	\$ 209,969	\$ 5,504
EXPENDITURES					
Purchased services	\$ 1,496,238	\$ 1,359,255	\$ 750,207	\$ -	\$ -
Professional fees	111,491	140,699	164,011	183,033	158,496
Contracted services	620,899	234,357	398,695	40,345	7,425
Repairs & Maintenance	182,652	144,628	106,549	3,915	-
Utilities	2,287	3,405	15,060	-	-
Administrative	60,620	45,980	36,746	14,352	14,704
Other	4,168	13,473	34,972	865	1,490
Capital outlay	-	231,124			
Right-to-use leased asset	-	-	50,000	678,128	-
Lease - principal	-	-	38,293	37,288	-
Lease - interest	-	-	16,707	17,712	-
TOTAL EXPENDITURES	\$ 2,478,355	\$ 2,172,921	\$ 1,611,240	\$ 975,638	\$ 182,115
Excess Revenues (Expenditures)	\$ 1,254,330	\$ 568,023	\$ 159,762	\$ (765,669)	\$ (176,611)

(a) Unaudited from October 1, 2024 - August 31, 2025. Provided by the bookkeeper.

(b) Unaudited. Provided by the District's bookkeeper.

THE ROAD SYSTEM

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

DEVELOPER AGREEMENT

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

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

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

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

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

MASTER DISTRICT CONTRACT

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

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

The Master District Road Facilities are defined, described, and displayed under the Master District Contract to mean the major thoroughfares and roadway related facilities in and of such thoroughfares that serve the Service Area. The Master District Contract authorizes the Master District to issue Contract Road Revenue Bonds to acquire, construct and maintain the Master District Road Facilities in an aggregate amount not to exceed \$246,480,000.

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

The Master District Contract provides two options for the Participants to finance the Master District Park Facilities. First, the Master District may issue Master District Park Bonds and the aggregate amount of the Master District Park Bonds may

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

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

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

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

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

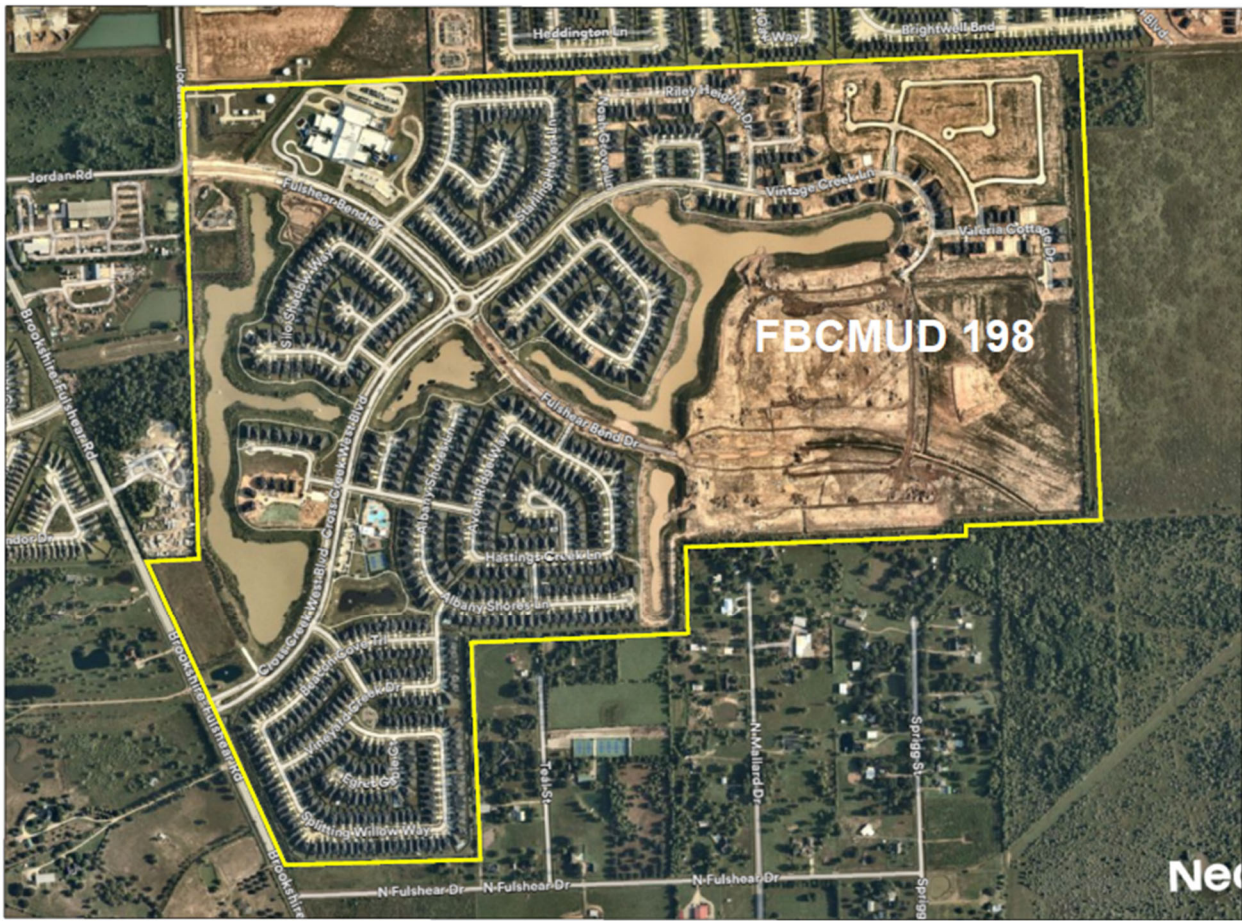
Water/Sewer/Drainage Contract Payments (all of which are derived from the Water/Sewer/Drainage Contract Tax or other legally available funds of a Participant) are not pledged for and are not available to be used to make Road Contract Payments. Road Contract Payments (all of which are derived from the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

The Master District Contract defines and obligates the Participants to pay a Monthly Charge for each active connection in the Participants to pay for all of the operation and maintenance of the Master District Facilities and to provide for an operation and maintenance reserve in the Master District General Fund equivalent to three months of operation and maintenance expenses for the Master District Facilities. The Master District has leased a temporary wastewater treatment plant and those monthly payments are included in the Monthly Charge. Each Participant's share of operation and maintenance expenses and reserve requirements is calculated and expressed in terms of costs per equivalent single-family residential connection. The Participant's monthly payment for operation and maintenance or Monthly Charges is calculated by multiplying the number of equivalent single-family residential connections reserved to the Participant on the first day of the previous month by the Monthly Charge. The Master District may calculate the Monthly Charge at any time, but has previously established the Monthly Charge while adopting its annual budget. Currently, the Monthly Charge is \$131.

PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(September 2025)



(February 2025)



DISTRICT DEBT

Pro-Forma Debt Service Requirement Schedule

The following schedule sets forth the principal and estimated interest requirements of the Bonds and the Outstanding Bonds, assuming the Bonds are issued at an interest rate of 4.75%. Totals may not sum due to rounding.

Calendar Year	Outstanding Debt Service	The Utility Bonds		The Road Bonds		Total Combined Debt Service
		Principal	Interest	Principal	Interest	
2026	\$1,703,850	\$110,000	\$235,343	\$155,000	\$186,042	\$2,390,234
2027	1,687,838	145,000	295,213	110,000	230,138	2,468,188
2028	1,680,138	150,000	288,325	120,000	224,913	2,463,375
2029	1,665,488	160,000	281,200	125,000	219,213	2,450,900
2030	1,654,213	165,000	273,600	130,000	213,275	2,436,088
2031	1,645,988	175,000	265,763	135,000	207,100	2,428,850
2032	1,638,863	180,000	257,450	140,000	200,688	2,417,000
2033	1,632,638	190,000	248,900	150,000	194,038	2,415,575
2034	1,637,038	200,000	239,875	155,000	186,913	2,418,825
2035	1,645,038	210,000	230,375	165,000	179,550	2,429,963
2036	1,656,438	220,000	220,400	170,000	171,713	2,438,550
2037	1,656,038	230,000	209,950	180,000	163,638	2,439,625
2038	1,669,238	240,000	199,025	190,000	155,088	2,453,350
2039	1,670,438	250,000	187,625	195,000	146,063	2,449,125
2040	1,680,038	265,000	175,750	205,000	136,800	2,462,588
2041	1,687,638	275,000	163,163	215,000	127,063	2,467,863
2042	1,693,238	290,000	150,100	225,000	116,850	2,475,188
2043	1,706,213	305,000	136,325	235,000	106,163	2,488,700
2044	1,716,100	320,000	121,838	250,000	95,000	2,502,938
2045	1,723,525	330,000	106,638	260,000	83,125	2,503,288
2046	1,732,531	350,000	90,963	270,000	70,775	2,514,269
2047	1,733,819	365,000	74,338	285,000	57,950	2,516,106
2048	1,741,813	380,000	57,000	300,000	44,413	2,523,225
2049	1,746,019	400,000	38,950	310,000	30,163	2,525,131
2050	<u>1,757,225</u>	<u>420,000</u>	<u>19,950</u>	<u>325,000</u>	<u>15,438</u>	<u>2,537,613</u>
Total	\$42,161,394	\$ 6,325,000	\$ 4,568,055	\$ 5,000,000	\$ 3,562,104	\$ 61,616,553

Estimated Average Annual Debt Service Requirements
on the Bonds and the Outstanding Bonds (2026–2050)..... \$ 2,464,662

Estimated Maximum Annual Debt Service Requirements
on the Bonds and the Outstanding Bonds (2050)..... \$ 2,537,613

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Bonded Indebtedness

2025 Assessed Taxable Valuation	\$ 310,507,328	(a)
Estimated Assessed Taxable Valuation as of July 15, 2025	\$ 380,981,177	(b)
Direct Debt:		
The Outstanding Bonds	\$ 25,540,000	
The Bonds	\$ <u>11,325,000</u>	
Total	\$ 36,865,000	
Estimated Overlapping Debt	\$ <u>50,992,198</u>	(c)
Total Direct and Estimated Overlapping Debt	\$ 87,857,198	(c)
Direct Debt Ratios:		
As a Percentage of the 2025 Assessed Taxable Valuation	11.87	%
As a Percentage of the Estimated Assessed Taxable Valuation as of July 15, 2025	9.68	%
Direct and Estimated Overlapping Debt Ratios:		
As a Percentage of the 2025 Assessed Taxable Valuation	28.29	%
As a Percentage of the Estimated Assessed Taxable Valuation as of July 15, 2025	23.06	%
Utility System Debt Service Fund Balance (as of September 11, 2025)	\$ 557,041	(d)
Road System Debt Service Fund Balance (as of September 11, 2025)	\$ 526,255	(e)
General Fund Balance (as of September 11, 2025)	\$ 2,325,411	
2024 Tax Rate per \$100 of Assessed Taxable Valuation:		
Contract Tax	\$ 0.265	
Utility System Debt Service	\$ 0.230	
Road System Debt Service	\$ 0.240	
Maintenance and Operation	\$ <u>0.765</u>	
Total	\$ 1.500	(f)
Estimated Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2026–2050)	\$ 2,464,662	(g)
Estimated Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2050)	\$ 2,537,613	(g)
Debt Service Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay the Estimated Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2026–2050) at 95% Tax Collections:		
Based on the 2025 Assessed Taxable Valuation	\$ 0.84	
Based on the Estimated Assessed Taxable Valuation as of July 15, 2025	\$ 0.69	
Debt Service Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay the Estimated Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2026) at 95% Tax Collections:		
Based on the 2025 Assessed Taxable Valuation	\$ 0.87	
Based on the Estimated Assessed Taxable Valuation as of July 15, 2025	\$ 0.71	
Single-Family Homes (including 67 under construction) as of September 11, 2025	782	

-
- (a) Represents the assessed valuation of all taxable property within the District as of January 1, 2025, as provided by the Fort Bend Central Appraisal District (the "Appraisal District"). This value includes \$11,658,676 of uncertified value, which represents 85% of the value under arbitration by the Appraisal District. See "TAX DATA" and "TAXING PROCEDURES."
 - (b) Provided by the Appraisal District for informational purposes only, this amount represents an estimate of all taxable property within the District as of July 15, 2025, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2025, through July 15, 2025. No taxes will be levied against this amount. See "TAX DATA" and "TAXING PROCEDURES."
 - (c) See "DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement."
 - (d) At the delivery of the Series 2025A Bonds, six (6) months of capitalized interest will be deposited into this fund. Neither Texas law nor the Series 2025A Bond Resolution requires that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued for the Road System, including the Road Bonds.
 - (e) At the delivery of the Road Bonds, six (6) months of capitalized interest will be deposited into this fund. Neither Texas law nor the Road Bond Resolution requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued for the Utility System, including the Series 2025A Bonds.
 - (f) The District has authorized publication of its intent to levy a total tax rate of \$1.50 per \$100 of taxable assessed valuation, which includes a Contract Tax of \$0.265 per \$100 of assessed valuation, a Utility System debt service tax rate of \$0.230 per \$100 of assessed valuation, a Road System debt service tax rate of \$0.240 per \$100 of assessed valuation, and a maintenance and operation tax rate of \$0.765 per \$100 of assessed valuation.
 - (g) Estimated requirement of debt service on the Bonds and the Outstanding Bonds. Debt service on the Bonds is estimated at an interest rate of 4.75%. See "DISTRICT DEBT – Pro-Forma Debt Service Requirement Schedule."

Estimated Direct and Overlapping Debt Statement

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

Taxing Jurisdiction	Outstanding Debt as of	Estimated Overlapping Debt	
	July 31, 2025	Percent	Amount
Fort Bend County	\$1,237,428,859	0.23%	\$ 2,855,825
Fort Bend County Drainage District	21,645,000	0.23%	50,303
Lamar Consolidated ISD	3,058,595,000	0.85%	25,812,746
FBMUD 214	29,505,000 (b)	75.49%	<u>22,273,325</u>
Total Estimated Overlapping Debt			\$ 50,992,198
The District (a)			<u>\$ 36,865,000</u>
Total Direct and Estimated Overlapping Debt (a)			<u>\$ 87,857,198</u>

(a) The Bonds and the Outstanding Bonds.

(b) Includes the Master District's Contract Revenue Bonds that are scheduled to close in November of 2025.

Debt Ratios

	Percentage of the 2025 Assessed Taxable Valuation	Percentage of the Estimate of Assessed Taxable Valuation as of July 15, 2025
Direct Debt (a)	11.87%	9.68%
Total Direct and Estimated Overlapping Debt (a)	28.29%	23.06%

(a) The Bonds and the Outstanding Bonds.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property in the District in sufficient amount to pay the principal of and interest on the Series 2025A Bonds issued for the Utility System, and any bonds issued for the Utility System payable from taxes which the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. The Board is also authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property in the District in sufficient amount to pay the principal of and interest on the Road Bonds issued for the Road System, and any bonds issued for the Road System payable from taxes which the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes (see "INVESTMENT CONSIDERATIONS – Future Debt"). The District agrees in the Bond Resolutions to levy such taxes from year to year as described more fully under "THE BONDS – Source of Payment." Each Participant, including the District, is authorized to levy a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within its boundaries in sufficient amount to pay the Contract Payments on the Contract Revenue Bonds, that the Master District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District and the Utility System, the Road System, and for the payment of certain contractual obligations. See "TAX DATA – Maintenance and Operation Tax."

Property Tax Code and County-Wide Appraisal District

Title I of the Texas Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of Texas. Provisions of the Property Tax Code are complex and are not fully summarized herein. The Property Tax Code requires,

among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Appraisal District has the responsibility of appraising property for all taxing units within the County. Such appraisal values will be subject to review and change by the Fort Bend Central Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll, as approved by the Appraisal Review Board, will be used by the District in establishing its tax rolls and tax rate.

Property Subject to Taxation by the District

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

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption would be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received. For the 2025 tax year, the District did not grant an exemption for persons over 65 years of age and for disabled persons.

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

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

Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2013 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one (1) or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

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

Valuation of Property for Taxation

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

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by one (1) political subdivision while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years, for open space land and timberland.

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

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically damaged by a disaster and within an area declared to be a disaster area by the Governor. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within

the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of 6% of the amount of the tax for the first calendar month it is delinquent, plus 1% for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of 12% regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of 1% for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of taxes, penalties, and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) 65 years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Tax Payment Installments After Disaster

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

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

Rollback of Operation and Maintenance Tax Rate

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

classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

Special Taxing Units

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

Developed Districts

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

Developing Districts

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

The District

For the 2025 tax year, the Board designated the District as a Developing District. For future years, a determination as to a district's status as a Special Taxing Unit, Developed District, or Developing District will be made by the Board on an annual basis. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

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

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

TAX DATA

General

All taxable property within the District is subject to the assessment, levy, and collection by the District of two (2) separate continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds. See "TAXING PROCEDURES." The Board has in its Bond Resolutions covenanted to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. See "THE BONDS" and "INVESTMENT CONSIDERATIONS." For the 2024 tax year, the District levied a total tax rate of \$1.500 per \$100 of assessed valuation, which includes a Contract Tax of \$0.265 per \$100 of assessed valuation, a Utility System debt service tax rate of \$0.230 per \$100 of assessed valuation, a Road System debt service tax rate of \$0.24 per \$100 of assessed valuation, and a maintenance and operation tax rate of \$0.765 per \$100 of assessed valuation. See "TAX DATA – Tax Rate Distribution."

Tax Rate Limitation

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

Maintenance and Operation Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance tax is authorized by vote of the District's electors. The Board is authorized by the District's voters to levy such maintenance tax in an amount not to exceed \$1.50 per \$100 of assessed valuation for the Utility System and \$0.250 per \$100 of assessed valuation for the Road System. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, and any parity bonds which may be issued in the future. For the 2024 tax year, the District levied a maintenance and operation tax rate of \$0.765. See "TAX DATA – Tax Rate Distribution."

Additional Penalties

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

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the debt service tax rates per \$100 of assessed taxable valuation which would be required to meet certain debt service requirements of the Bonds and the Outstanding Bonds if no growth in the District's tax base occurs beyond the 2025 Assessed Taxable Valuation (\$310,507,328) or the Estimated Assessed Taxable Valuation as of July 15, 2025 (\$380,981,177). The calculations assume collection of 95% of taxes levied and the sale of the Bonds and the Outstanding Bonds but no additional bonds by the District.

Estimated Average Annual Debt Service Requirement (2026–2050)	\$ 2,464,662
Tax Rate of \$0.84 on the 2025 Assessed Taxable Valuation Produces	\$ 2,477,848
Tax Rate of \$0.69 on the Estimated Assessed Taxable Valuation as of July 15, 2025, Produces	\$ 2,497,332
Estimated Maximum Annual Debt Service Requirement (2050)	\$ 2,537,613
Tax Rate of \$0.87 on the 2025 Assessed Taxable Valuation Produces	\$ 2,566,343
Tax Rate of \$0.71 on the Estimated Assessed Taxable Valuation as of July 15, 2025, Produces	\$ 2,569,718

Estimated Overlapping Taxes

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

Set forth below is an estimation of all taxes per \$100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions, or any other charges made by entities other than political subdivisions. The following chart includes the 2024 taxes per \$100 of assessed valuation levied by all such taxing jurisdictions.

Taxing Jurisdictions	2024 Tax Rate
The District	\$ 1.500000
Fort Bend County	0.412000
Fort Bend County Drainage District	0.010000
Fort Bend County Emergency Services District No. 4	0.098689
Lamar Consolidated Independent School District	<u>1.146900</u>
Total	\$ 3.167589

Historical Tax Collections

The following represents the historical tax collections for the District's 2021-2024 tax years.

Tax Year	Assessed Valuation	Tax Rate (a)	Adjusted Levy	Collections Current Year	Fiscal Year Ending	Collections as of 08/31/2025
2021	\$ 12,474,110	\$ 1.500000	\$ 187,112	100.00%	2022	100.00%
2022	34,183,687	1.500000	512,755	100.00%	2023	100.00%
2023	67,054,752	1.500000	1,005,165	100.00%	2024	100.00%
2024	195,726,894	1.500000	2,930,831	99.12%	2025	99.12%

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

Tax Rate Distribution

The following represents the components of the tax rate for the District's 2021-2024 tax years.

	2024 (a)	2023	2022	2021
Utility System Debt Service	\$ 0.230	\$ 0.000	\$ 0.000	\$ 0.000
Road System Debt Service	0.240	0.000	0.000	0.000
Maintenance and Operation	0.765	1.500	1.500	1.500
Contract Tax Rate	<u>0.265</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>
Total	\$ 1.500	\$ 1.500	\$ 1.500	\$ 1.500

(a) The District has authorized publication of its intent to levy a total tax rate of \$1.50 per \$100 of taxable assessed valuation, which includes a Contract Tax of \$0.265 per \$100 of assessed valuation, a Utility System debt service tax rate of \$0.230 per \$100 of assessed valuation, a Road System debt service tax rate of \$0.240 per \$100 of assessed valuation, and a maintenance and operation tax rate of \$0.765 per \$100 of assessed valuation.

Assessed Taxable Valuation Summary

The following represents the type of property comprising the District's 2021-2025 tax rolls, as certified by the Appraisal District.

Type of Property	2025 Assessed Taxable Valuation (a)	2024 Assessed Taxable Valuation	2023 Assessed Taxable Valuation	2022 Assessed Taxable Valuation	2021 Assessed Taxable Valuation
Land	\$ 93,094,157	\$126,835,390	\$ 39,421,353	\$ 35,046,610	\$ 12,869,820
Improvements	232,984,988	76,502,098	30,341,106	10	0
Personal Property	402,947	446,860	380,170	0	0
Exemptions	<u>(26,926,412)</u>	<u>(8,057,454)</u>	<u>(3,087,877)</u>	<u>(862,933)</u>	<u>(395,710)</u>
Total	\$ 299,555,680	\$ 195,726,894	\$ 67,054,752	\$ 34,183,687	\$ 12,474,110

(a) This value excludes \$11,658,676 of uncertified value, which represents 85% of the value under arbitration by the Appraisal District.

Principal Taxpayers

The following represents the principal taxpayers on the District's 2025 tax roll, as certified by the Appraisal District.

Taxpayer	Type of Property	Assessed Taxable Valuation 2025 Tax Roll	Percentage of 2025 Taxable Assessed Valuation
CCR West Inc (a)	Land and Improvements	8,116,996	2.72%
Westin Homes & Properties LP (b)	Land and Improvements	3,926,015	1.31%
Homeowner	Land and Improvements	1,493,003	0.50%
Perry Homes LLC (b)	Land and Improvements	1,481,467	0.50%
Walah Enterprises LLC	Land and Improvements	1,085,409	0.36%
Slate Non-Nc/Non-Wa Property Owner LLC	Land and Improvements	1,081,093	0.36%
Highland Homes-Houston LLC (b)	Land and Improvements	948,000	0.32%
Homeowner	Land and Improvements	857,859	0.29%
Homeowner	Land and Improvements	856,780	0.29%
Homeowner	Land and Improvements	<u>774,522</u>	<u>0.26%</u>
Total		\$ 20,621,144	
Percentage of 2025 Tax Roll			6.90%

(a) See "DEVELOPER."

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

LEGAL MATTERS

Legal Opinions

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

Bond Counsel has reviewed the information discussed under "THE BONDS" (except for the subheadings "Book-Entry-Only System," "Use and Distribution of the Series 2025A Bond Proceeds," and "Use and Distribution of the Road Bond Proceeds," "THE DISTRICT – Authority," "MASTER DISTRICT CONTRACT," "DEVELOPER AGREEMENT," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law, the provisions of the documents referred to therein and conforms to the provisions of the order of the TCEQ approving the Bonds (with respect to the Series 2025A Bonds). Bond Counsel has not, however, independently verified any of the factual information contained herein nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's

limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

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

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

No-Litigation Certificate

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

No Material Adverse Change

The obligations of the Initial Purchaser to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District subsequent to the date of sale from that set forth or contemplated herein, as it may have been supplemented or amended through the date of sale.

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Bonds should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

Tax Exemption

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals.

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

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Resolutions pertaining to those sections of the Code that affect the excludability of interest on the Bonds from gross income for federal income tax purposes and, in addition, will rely on representations by the District and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the District and such parties, which Bond Counsel has not independently verified. If the District fails to comply with the covenants in the Bond Resolutions or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Bond Counsel will express no opinion as to the amount or timing of interest on the Bonds or, except as stated above, any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds. Certain actions may be taken or omitted subject to the terms and conditions set forth in the Bond Resolutions upon the advice or with the approving opinion of Bond Counsel. Bond Counsel will express no opinion with respect to Bond Counsel's ability to render an opinion that such actions, if taken or omitted, will not adversely affect the excludability of interest of the Bonds from gross income for federal income tax purposes.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not

binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer, and the Owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds, regardless of the ultimate outcome of the audit.

Not Qualified Tax-Exempt Obligations

The Bonds will not be designated "qualified tax-exempt obligations" for financial institutions.

Additional Federal Income Tax Considerations

Collateral Tax Consequences

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences, including but not limited to those noted below. Therefore, prospective purchasers of the Bonds should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

An "applicable corporation" (as defined in section 59(k) of the Code) may be subject to a 15 percent alternative minimum tax imposed under section 55 of the Code on its "adjusted financial statement income" (as defined in section 56A of the Code) for such taxable year. Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation's "adjusted financial statement income," ownership of the Bonds could subject certain corporations to alternative minimum tax consequences.

Ownership of tax-exempt obligations also may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds.

Prospective purchasers of the Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium

If the issue price of any maturity of the Bonds exceeds the stated redemption price payable at maturity of such Bonds, such Bonds (the "Premium Bonds") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

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

Tax Accounting Treatment of Original Issue Discount

If the issue price of any maturity of the Bonds is less than the stated redemption price payable at maturity of such Bonds (the "OID Bonds"), the difference between (i) the amount payable at the maturity of each OID Bond, and (ii) the initial offering price to the public of such OID Bond constitutes original issue discount with respect to such OID Bond in the hands of any owner who has purchased such OID Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled

to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such OID Bond equal to that portion of the amount of such original issue discount allocable to the period that such OID Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions "TAX MATTERS – Tax Exemption" and "TAX MATTERS – Additional Federal Income Tax Considerations – Collateral Tax Consequences" and "—Tax Legislative Changes" generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

In the event of the redemption, sale or other taxable disposition of such OID Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such OID Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such OID Bond was held by such initial owner) is includable in gross income.

The foregoing discussion assumes that (i) the Underwriter has purchased the Bonds for contemporaneous sale to the public and (ii) all of the OID Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the inside cover page of this Official Statement. Neither the District nor Bond Counsel has made any investigation or offers any assurance that the OID Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each OID Bond accrues 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 Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such OID 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 (i) 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 (ii) the amounts payable as current interest during such accrual period on such Bond.

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

Tax Legislative Changes

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any recently enacted, proposed, pending or future legislation.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

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

The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type discussed under "DISTRICT DEBT" (except under the subheading "Estimated Direct and Overlapping Debt Statement"), "TAX DATA," and "APPENDIX A." The District will update and provide this information within six (6) months after the end of each of its fiscal years ending in or after 2025. The District will provide the updated information to the MSRB through the EMMA system.

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

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten (10) business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the "Rule"). The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolutions make any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement discussed under "CONTINUING DISCLOSURE OF INFORMATION – Annual Reports."

Availability of Information from EMMA

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

Limitations and Amendments

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

The District may amend its continuing disclosure agreement from time to time to adapt the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolutions if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement discussed under "CONTINUING DISCLOSURE OF INFORMATION – Annual Reports," an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

During the past five years, the District has complied in all material respects with all its prior continuing disclosure agreements made in accordance with the Rule.

OFFICIAL STATEMENT

General

The information contained herein has been obtained primarily from the District's records, the Engineer, the Developer, the Tax Assessor/Collector, and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below. All of the summaries of the statutes, resolutions, orders, contracts, audits, and engineering and other related reports set forth herein are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

The District's financial statements for the fiscal year ended September 30, 2024, were audited by the Auditor and are attached as "APPENDIX A." The Auditor has consented to the publication of such financial statements herein.

Experts

The information contained herein relating to engineering and to the description of the Utility System and the Road System, and, in particular, that engineering information discussed under "THE BONDS – Use and Distribution of the Series 2025A Bond Proceeds," "THE BONDS – Use and Distribution of the Road Bond Proceeds," "THE DISTRICT – Description," "THE UTILITY SYSTEM," "THE ROAD SYSTEM," and "DEVELOPMENT OF THE DISTRICT" was provided by the Engineer and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

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

Certification as to Official Statement

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

Updating of Official Statement

If, subsequent to the date of this Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchaser, of any adverse event which causes this Official Statement to be materially misleading, and unless the Initial Purchaser elect to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to this Official Statement satisfactory to the Initial Purchaser; provided, however, that the obligation of the District to so amend or supplement this Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser, unless the Initial Purchaser notify the District in writing on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

CONCLUDING STATEMENT

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

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

/s/

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

ATTEST:

/s/

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

APPENDIX A
FINANCIAL STATEMENTS OF THE DISTRICT

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

FORT BEND COUNTY, TEXAS

FINANCIAL REPORT

September 30, 2024

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McGRATH & CO., PLLC

Certified Public Accountants

2900 North Loop West, Suite 880

Houston, Texas 77092

Independent Auditor's Report

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

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 198 (the "District"), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 198, as of September 30, 2024, 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the District implemented GASB Implementation Guide 2021-1, Question 5.1 during the current fiscal year. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

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.

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

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 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.

McGuath & Co, P.C.

Houston, Texas
January 9, 2025

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Management's Discussion and Analysis

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***Fort Bend County Municipal Utility District No. 198
Management's Discussion and Analysis
September 30, 2024***

Using this Annual Report

Within this section of the financial report of Fort Bend County Municipal Utility District No. 198 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2024. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

***Fort Bend County Municipal Utility District No. 198
Management's Discussion and Analysis
September 30, 2024***

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at September 30, 2024, was negative \$10,756,192. The District's net position is negative because the District incurs debt to construct roads which it conveys to Fort Bend County. A comparative summary of the District's overall financial position, as of September 30, 2024 and 2023, is as follows:

	2024	2023
Current and other assets	\$ 2,734,575	\$ 4,116,813
Capital assets	14,239,023	7,968,602
Total assets	<u>16,973,598</u>	<u>12,085,415</u>
Current liabilities	6,790,707	7,061,749
Long-term liabilities	20,939,083	10,486,095
Total liabilities	<u>27,729,790</u>	<u>17,547,844</u>
Net position		
Net investment in capital assets	1,610,344	(599,451)
Restricted	729,490	
Unrestricted	(13,096,026)	(4,862,978)
Total net position	<u>\$ (10,756,192)</u>	<u>\$ (5,462,429)</u>

During the current fiscal year, the District implemented GASB Implementation Guide ("GASBIG") 2021-1, Question 5.1, which requires the capitalization of a group of individual assets that are below the capitalization threshold when the cost of the acquisition of the assets in the aggregate is significant. In accordance with this standard, the District recognized, as infrastructure capital assets, water meters that were previously expensed in prior fiscal years, net of related accumulated depreciation, as of the beginning of the current fiscal year. Prior year data has not been restated to include values for these

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infrastructure assets and, as a result, the presentation of prior year data as it relates to these assets is not consistent with the current year presentation (see Notes 3 and 7)

The total net position of the District decreased during the current fiscal year by \$5,568,934. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2024	2023
Revenues		
Property taxes, penalties and interest	\$ 1,041,365	\$ 730,532
Water and sewer service	425,654	186,778
Other	1,282,705	872,721
Total revenues	<u>2,749,724</u>	<u>1,790,031</u>
Expenses		
Current service operations	2,026,122	1,533,318
Debt interest	377,226	16,707
Developer interest	1,015,723	
Debt issuance costs	1,308,628	72,500
Depreciation and amortization	374,127	229,059
Total expenses	<u>5,101,826</u>	<u>1,851,584</u>
Change in net position before other item	(2,352,102)	(61,553)
Other items		
Transfers to other governments	(3,216,832)	(212,474)
Loss on assignment of lease		(35,164)
Other non-recurring gains/(losses)		236,000
Change in net position	(5,568,934)	(73,191)
Net position, beginning of year (2024 restated)	<u>(5,187,258)</u>	<u>(5,389,238)</u>
Net position, end of year	<u>\$ (10,756,192)</u>	<u>\$ (5,462,429)</u>

As previously noted, the District implemented GASBIG 2021-1, Question 5.1 during the current year and, as a result, has restated its beginning net position for the current fiscal year. Prior year data is not consistent with current year data due to the recognition of certain capital assets and the related accumulated depreciation at the beginning of the current fiscal year (See Notes 3 and 7).

Financial Analysis of the District's Funds

The District's combined fund balances, as of September 30, 2024, were \$2,249,677, which consists of \$1,026,865 in the General Fund, \$791,076 in the Debt Service Fund and \$431,736 in the Capital Project Fund.

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General Fund

A comparative summary of the General Fund's financial position as of September 30, 2024 and 2023, is as follows:

	2024	2023
Total assets	<u>\$ 1,511,763</u>	<u>\$ 765,464</u>
Total liabilities	\$ 479,121	\$ 298,327
Total deferred inflows	5,777	18,175
Total fund balance	<u>1,026,865</u>	<u>448,962</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 1,511,763</u>	<u>\$ 765,464</u>

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

	2024	2023
Total revenues	\$ 2,740,944	\$ 1,771,002
Total expenditures	<u>(2,172,921)</u>	<u>(1,611,240)</u>
Revenues over expenditures	568,023	159,762
Other changes in fund balance	9,880	54,433
Net change in fund balance	<u>\$ 577,903</u>	<u>\$ 214,195</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. Property tax revenues increased from prior year because the District's assessed values increased from prior year.
- Water, sewer and surface water revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.
- Tap connection fees fluctuate with homebuilding activity within the District.

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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 September 30, 2024 is as follows:

Total assets	<u>\$ 791,076</u>
Total fund balance	<u>\$ 791,076</u>

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

Total revenues	\$ 19,754
Total expenditures	<u>(201,841)</u>
Revenues under expenditures	(182,087)
Other changes in fund balance	<u>973,163</u>
Net change in fund balance	<u>\$ 791,076</u>

During the current year, the District's financial resources in the Debt Service Fund are from capitalized interest from the sale of bonds. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of September 30, 2024 and 2023, is as follows:

	2024	2023
Total assets	<u>\$ 431,736</u>	<u>\$ 3,351,349</u>
Total liabilities	\$ -	\$ 3,338,422
Total fund balance	<u>431,736</u>	<u>12,927</u>
Total liabilities and fund balance	<u>\$ 431,736</u>	<u>\$ 3,351,349</u>

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

	2024	2023
Total revenues	\$ 1,424	\$ 854
Total expenditures	(15,749,330)	(3,244,669)
Revenues under expenditures	(15,747,906)	(3,243,815)
Other changes in fund balance	16,166,715	3,256,742
Net change in fund balance	\$ 418,809	\$ 12,927

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2024 Unlimited Tax Bonds, Series 2024A Unlimited Tax Road Bonds, and Series 2024 Bond Anticipation Note in the current year and issuance of its Series 2023 Bond Anticipation Note in the prior year.

General Fund Budgetary Highlights

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$11,615 greater than budgeted. The *Budgetary Comparison Schedule* on page 40 of this report provides variance information per financial statement line item.

Capital Assets

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

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Capital assets held by the District at September 30, 2024 and 2023, are summarized as follows:

	2024	2023
Capital assets not being depreciated		
Land and improvements	\$ 4,707	\$ -
Capital assets being depreciated		
Infrastructure	14,946,572	8,273,276
Less accumulated depreciation	(712,256)	(304,674)
Depreciable capital assets, net	<u>14,234,316</u>	<u>7,968,602</u>
Capital assets, net	<u>\$ 14,239,023</u>	<u>\$ 7,968,602</u>

As previously noted, the District implemented GASBIG 2021-1, Question 5.1 during the current year. As a result, prior year data is not consistent with current year data due to the recognition of certain capital assets and the related accumulated depreciation at the beginning of the current fiscal year (See Notes 3 and 7).

Capital asset additions during the current year include the following:

- Cross Creek West detention channels Phase 2 – utilities
- Cross Creek West, Section 6, 7, and 9 – utilities
- Cross Creek West Boulevard Extension No. 1– utilities
- Lift Station No. 1 land acquisition

Additionally, Fort Bend County (the “County”) assumes responsibility (after a one-year maintenance period) for road facilities constructed within the boundaries of the County. Accordingly, these facilities are not considered assets of the District. The estimated value of these assets is recorded as transfers to other governments upon completion of construction. This estimated cost is trued-up when the developer is reimbursed. For the year ended September 30, 2024, capital assets in the amount of \$3,216,832 have been completed and recorded as transfers to other governments in the government-wide statements.

Long-Term Debt and Related Liabilities

As of September 30, 2024, the District owes approximately \$6,379,083 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 9, the District has an additional commitment in the amount of \$5,474,910 for projects under construction by the developers. 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.

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During the current year, the District issued \$7,070,000 in unlimited tax bonds and \$7,490,000 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 September 30, 2023.

At September 30, 2024, the District had \$198,960,500 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and the refunding of such bonds; \$30,693,000 for parks and recreational facilities and the refunding of such bonds; and \$60,955,000 for road improvements and the refunding of such bonds.

During the current year, the District issued a \$6,250,000 bond anticipation note (BAN) to provide short-term financing for developer reimbursements. The District intends to repay the BAN with proceeds from the issuance of long-term debt. See Note 8 for additional information.

Next Year's Budget

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

	<u>2024 Actual</u>	<u>2025 Budget</u>
Total revenues	\$ 2,740,944	\$ 3,354,375
Total expenditures	<u>(2,172,921)</u>	<u>(2,219,551)</u>
Revenues over expenditures	568,023	1,134,824
Other changes in fund balance	9,880	
Net change in fund balance	<u>577,903</u>	<u>1,134,824</u>
Beginning fund balance	448,962	1,026,865
Ending fund balance	<u><u>\$ 1,026,865</u></u>	<u><u>\$ 2,161,689</u></u>

Property Taxes

The District's property tax base increased approximately \$128,483,000 for the 2024 tax year from \$67,098,515 to \$195,581,320. This increase was primarily due to new construction in the District and increased property values. For the 2024 tax year, the District has levied a maintenance tax rate of \$0.765 per \$100 of assessed value; a debt service tax rate of \$0.23 per \$100 of assessed value; a road debt service tax rate of \$0.24 per \$100 of assessed value and a contract tax rate of \$0.265 per \$100 of assessed value for a total combined tax rate of \$1.50 per \$100 of assessed value. The District's tax rate for the 2023 tax year was \$1.50 per \$100 of assessed value for maintenance and operations.

Basic Financial Statements

Fort Bend County Municipal Utility District No. 198
Statement of Net Position and Governmental Funds Balance Sheet
September 30, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total
Assets				
Cash	\$ 262,491	\$ -	\$ 431,736	\$ 694,227
Investments	1,152,036	791,076		1,943,112
Taxes receivable	5,777			5,777
Customer service receivables	82,814			82,814
Prepaid expenses	4,545			4,545
Other receivables	4,100			4,100
Capital assets not being depreciated				
Capital assets, net				
Total Assets	<u>\$ 1,511,763</u>	<u>\$ 791,076</u>	<u>\$ 431,736</u>	<u>\$ 2,734,575</u>
Liabilities				
Accounts payable	\$ 300,831	\$ -	\$ -	\$ 300,831
Other payables	3,991			3,991
Customer deposits	46,700			46,700
Unearned revenue	127,599			127,599
Accrued interest payable				
Bond anticipation note payable				
Due to developer				
Long-term debt				
Due after one year				
Total Liabilities	<u>479,121</u>			<u>479,121</u>
Deferred Inflows of Resources				
Deferred property taxes	<u>5,777</u>			<u>5,777</u>
Fund Balances/Net Position				
Fund Balances				
Nonspendable	4,545			4,545
Restricted		791,076	431,736	1,222,812
Unassigned	1,022,320			1,022,320
Total Fund Balances	<u>1,026,865</u>	<u>791,076</u>	<u>431,736</u>	<u>2,249,677</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,511,763</u>	<u>\$ 791,076</u>	<u>\$ 431,736</u>	<u>\$ 2,734,575</u>
Net Position				
Net investment in capital assets				
Restricted for debt service				
Unrestricted				
Total Net Position				

See notes to basic financial statements.

Adjustments	Statement of Net Position
\$ -	\$ 694,227
	1,943,112
	5,777
	82,814
	4,545
	4,100
4,707	4,707
14,234,316	14,234,316
14,239,023	16,973,598
	300,831
	3,991
	46,700
	127,599
61,586	61,586
6,250,000	6,250,000
6,379,083	6,379,083
14,560,000	14,560,000
27,250,669	27,729,790
(5,777)	
(4,545)	
(1,222,812)	
(1,022,320)	
(2,249,677)	
1,610,344	1,610,344
729,490	729,490
(13,096,026)	(13,096,026)
\$ (10,756,192)	\$ (10,756,192)

Fort Bend County Municipal Utility District No. 198

**Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2024**

	General Fund	Debt Service Fund	Capital Projects Fund	Total
Revenues				
Water service	\$ 189,713	\$ -	\$ -	\$ 189,713
Sewer service	235,941			235,941
Property taxes	1,021,428			1,021,428
Penalties and interest	32,335			32,335
Surface water fees	317,121			317,121
Tap connection and inspection	750,494			750,494
Capacity charges	159,007			159,007
Miscellaneous	3,341			3,341
Investment earnings	31,564	19,754	1,424	52,742
Total Revenues	2,740,944	19,754	1,424	2,762,122
Expenditures/Expenses				
Current service operations				
Purchased services	1,359,255			1,359,255
Professional fees	140,699		84,165	224,864
Contracted services	234,357			234,357
Repairs and maintenance	144,628			144,628
Utilities	3,405			3,405
Administrative	45,980			45,980
Other	13,473		160	13,633
Capital outlay	231,124		13,226,855	13,457,979
Debt service				
Interest and fees		201,841	113,799	315,640
Developer interest			1,015,723	1,015,723
Debt issuance costs			1,308,628	1,308,628
Depreciation				
Total Expenditures/Expenses	2,172,921	201,841	15,749,330	18,124,092
Revenues Over/(Under)	568,023	(182,087)	(15,747,906)	(15,361,970)
Expenditures/Expenses				
Other Financing Sources/(Uses)				
Proceeds from sale of bonds		973,163	13,586,837	14,560,000
Bond anticipation note proceeds			6,250,000	6,250,000
Repayment of bond anticipation note			(3,425,000)	(3,425,000)
Internal transfers	9,880		(9,880)	
Repayment of developer advances			(235,242)	(235,242)
Other Items				
Transfers to other governments				
Net Change in Fund Balances	577,903	791,076	418,809	1,787,788
Change in Net Position				
Fund Balance/Net Position				
Beginning of the year, as reported	448,962		12,927	461,889
Change due to new accounting guidance (Note 3)				
Beginning of the year, as restated	448,962		12,927	461,889
End of the year	\$ 1,026,865	\$ 791,076	\$ 431,736	\$ 2,249,677

See notes to basic financial statements.

Adjustments	Statement of Activities
\$ -	\$ 189,713
	235,941
(10,330)	1,011,098
(2,068)	30,267
	317,121
	750,494
	159,007
	3,341
	52,742
(12,398)	2,749,724
	1,359,255
	224,864
	234,357
	144,628
	3,405
	45,980
	13,633
(13,457,979)	
61,586	377,226
	1,015,723
	1,308,628
374,127	374,127
(13,022,266)	5,101,826
13,009,868	(2,352,102)
(14,560,000)	
(6,250,000)	
3,425,000	
235,242	
(3,216,832)	(3,216,832)
(1,787,788)	
(5,568,934)	(5,568,934)
(5,924,318)	(5,462,429)
275,171	275,171
(5,649,147)	(5,187,258)
\$ (13,005,869)	\$ (10,756,192)

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Note 1 – Summary of Significant Accounting Policies

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

Creation

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

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

- The General Fund is used to account for the operations of the District's water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes and water and sewer service fees. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District's water, sewer, drainage and road facilities.

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

Measurement Focus and Basis of Accounting

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

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

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

Use of Restricted Resources

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

Note 1 – Summary of Significant Accounting Policies (continued)

Prepaid Items

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset unless a legal right of offset exists. At September 30, 2024, 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 that individually are below the capitalization threshold but, in the aggregate, are above the threshold are capitalized. Subsequent replacements of these assets are not capitalized. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciable capital assets, which primarily consist of water, wastewater and drainage facilities, are depreciated using the straight-line method over an estimated useful life of 10 to 45 years.

Note 1 – Summary of Significant Accounting Policies (continued)

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’s nonspendable fund balance consists of prepaid items.

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

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. 198
Notes to Financial Statements
September 30, 2024

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds	\$ 2,249,677
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$ 14,951,279	
Less accumulated depreciation	<u>(712,256)</u>	
Change due to capital assets		14,239,023

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

Bonds payable	(14,560,000)	
Bond anticipation note payable	(6,250,000)	
Interest payable on bonds	<u>(61,586)</u>	
Change due to long-term debt		(20,871,586)

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> .	(6,379,083)
---	-------------

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.	5,777
--	-------

Total net position - governmental activities	<u><u>\$ (10,756,192)</u></u>
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Fort Bend County Municipal Utility District No. 198
Notes to Financial Statements
September 30, 2024

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	\$ 1,787,788
--	--------------

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.	(12,398)
--	----------

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

Capital outlays	\$ 13,457,979	
Depreciation expense	(374,127)	
Transfers to other governments	(3,216,832)	
		9,867,020

The issuance of long-term debt provides current financial resources to governmental funds. However, this transaction has no effect on net assets. Other elements of debt financing are reported differently between the fund and government-wide statements.

Issuance of long term debt	(14,560,000)	
Bond anticipation note proceeds	(6,250,000)	
Repayment of bond anticipation note	3,425,000	
Interest expense accrual	(61,586)	
		(17,446,586)

Amounts repaid to the District's developer for operating advances use financial resources at the fund level, but reduce the liability in the <i>Statement of Net Position</i> .	235,242
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Change in net position of governmental activities	\$ (5,568,934)
---	----------------

Note 3 – Implementation of New Accounting Guidance

During the current fiscal year, the District implemented GASB Implementation Guide (“GASBIG”) 2021-1, Question 5.1, which requires the capitalization of the acquisition of a group of individual capital assets whose individual acquisition costs are less than the capitalization threshold when the cost of the acquisition of the assets in the aggregate is significant. Under this new guidance, the District’s acquisition of water meters that exceeds the capitalization threshold in the aggregate should be recorded as Capital outlays instead of Contracted services in the *Statement of Revenues, Expenditures and Changes in Fund Balances*. On the government wide statements, the acquisition of water meters should not be recorded as an expense on the *Statement of Activities* but should be recorded as capital assets on the *Statement of Net Position*.

GASBIG 2021-1, Question 5.1 is required to be retroactively implemented, which means the District is required to record the acquisition of water meters that were expensed in previous fiscal years as infrastructure capital assets and to record the related accumulated depreciation at the beginning of the current fiscal year. Accordingly, the District has recorded a restatement to recognize \$275,171 in depreciable capital assets, which were measured at net book value (i.e., cost less accumulated depreciation) as of the beginning of the current fiscal year and increased its beginning net position by the same amount. Prior year amounts in the Management’s Discussion and Analysis and supplementary schedules were not restated.

Note 4 – 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.

Fort Bend County Municipal Utility District No. 198
Notes to Financial Statements
September 30, 2024

Note 4 – 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 September 30, 2024, the District's investments consist of the following:

<u>Type</u>	<u>Fund</u>	<u>Carrying Value</u>	<u>Rating</u>	<u>Weighted Average Maturity</u>
TexSTAR	General	\$ 1,152,036		
	Debt Service	791,076		
Total		<u>\$ 1,943,112</u>	AAAm	24 days

TexSTAR

The Texas Short Term Asset Reserve fund ("TexSTAR") is managed by Hilltop Securities, 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.

Note 4 – Deposits and Investments (continued)

TexSTAR (continued)

TexSTAR uses amortized cost rather than fair value to report net assets to compute share price. Accordingly, investments in TexSTAR are stated at amortized cost which approximates fair value. 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 5 – Master District

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

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

Upon commencement of services, the Master District will charge each participating district a monthly fee based on the unit cost per connection multiplied by the number of equivalent single-family connections reserved to the District. As of September 30, 2024, the monthly fee was \$191 per equivalent-single-family connection. During the current year, the District recognized \$1,359,255 in expenditures for water supply and wastewater treatment services.

Fort Bend County Municipal Utility District No. 198
Notes to Financial Statements
September 30, 2024

Note 5 – Master District (continued)

Renewal and Replacement

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

Master District Debt Service

The Master District is authorized to issue bonds for the purpose of acquiring and constructing facilities needed to provide services to all participating districts. The District shall contribute to the payment of debt service requirements based on its pro rata share of the total certified assessed valuation of all participating districts.

As of September 30, 2024, the Master District has \$12,715,000 contract revenue bonds outstanding. The Master District's debt service requirements on contract revenue bonds outstanding are as follows:

Year	Principal	Interest	Total
2025	\$ -	\$ 552,078	\$ 552,078
2026		564,625	564,625
2027	280,000	555,526	835,526
2028	290,000	537,000	827,000
2029	300,000	517,826	817,826
2030 - 2034	1,750,000	2,282,817	4,032,817
2035 - 2039	2,190,000	1,846,545	4,036,545
2040 - 2044	2,775,000	1,352,245	4,127,245
2045 - 2049	3,490,000	721,413	4,211,413
2050 - 2051	1,640,000	70,547	1,710,547
	<u>\$ 12,715,000</u>	<u>\$ 9,000,622</u>	<u>\$ 21,715,622</u>

Fort Bend County Municipal Utility District No. 198
Notes to Financial Statements
September 30, 2024

Note 6 – Interfund Balances and Transactions

A summary of internal transfers for the current fiscal year is as follows:

Transfers Out	Transfers In	Amounts	Purpose
Capital Projects Fund	General Fund	\$ 9,880	Reimbursement of bond application fees paid by General Fund

Note 7 – Capital Assets

A summary of changes in capital assets, for the year ended September 30, 2024, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ -	\$ 4,707	\$ 4,707
Capital assets being depreciated			
Infrastructure	8,581,902	6,364,670	14,946,572
Less accumulated depreciation	(338,129)	(374,127)	(712,256)
Subtotal depreciable capital assets, net	8,243,773	5,990,543	14,234,316
Capital assets, net	\$ 8,243,773	\$ 5,995,250	\$ 14,239,023

Depreciation expense for the current fiscal year was \$374,127.

As discussed in Note 3, the District recorded a restatement to capitalize the acquisition of certain capital assets and accumulated depreciation at the beginning of the current fiscal year. In previous years, these costs were expensed. As a result, beginning balances for infrastructure capital assets in the current fiscal year are not consistent with prior year data.

Note 8 – Bond Anticipation Note

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

At the beginning of the fiscal year, the District had a BAN outstanding in the amount of \$3,425,000. This BAN was repaid on May 9, 2024, with proceeds from the issuance of the District’s Series 2024 Unlimited Tax Bonds.

On September 19, 2024, the District issued a \$6,250,000 BAN with an interest rate of 4.95%, which is due on September 18, 2025. This BAN will be repaid subsequent to year end.

Fort Bend County Municipal Utility District No. 198
Notes to Financial Statements
September 30, 2024

Note 8 – Bond Anticipation Note (continued)

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

Beginning balance	\$ 3,425,000
Amounts borrowed	6,250,000
Amounts repaid	<u>(3,425,000)</u>
Ending balance	<u><u>\$ 6,250,000</u></u>

Note 9 – Due to Developer

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

The District’s developers have also advanced funds to the District for operating expenses.

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

Due to developer, beginning of year	\$ 13,820,174
Developer reimbursements	(16,392,676)
Developer funded construction and adjustments	9,355,085
Repayment of operating advances	<u>(403,500)</u>
Due to developer, end of year	<u><u>\$ 6,379,083</u></u>

In addition, the District will owe the developers approximately \$5,474,910, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District’s auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount	Percent Complete
Cross Creek West Section 8 - utilities and paving	\$ 3,092,502	45%
Cross Creek West Section 10 - utilities and paving	2,382,408	54%
	<u><u>\$ 5,474,910</u></u>	

Fort Bend County Municipal Utility District No. 198
Notes to Financial Statements
September 30, 2024

Note 10 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	<u>\$ 14,560,000</u>
Due within one year	<u>\$ -</u>

The District's bonds payable at September 30, 2024, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2024	\$ 7,070,000	\$ 7,070,000	4.00% - 6.50%	September 1, 2026/2050	March 1, September 1	September 1, 2031
2024A Road	7,490,000	7,490,000	4.00% - 6.50%	September 1, 2026/2050	March 1, September 1	September 1, 2031
	<u>\$ 14,560,000</u>					

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

At September 30, 2024, the District had authorized but unissued bonds in the amount of \$198,960,500 for water, sewer and drainage facilities and the refunding of such bonds; \$30,693,000 for park and recreational facilities and the refunding of such bonds; and \$60,955,000 for road facilities and the refunding of such bonds.

On May 9, 2024, the District issued its \$7,070,000 Series 2024 Unlimited Tax Bonds at a net effective interest rate of 4.375089%. Proceeds of the bonds were used to (1) reimburse developer for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds and operating advances; (2) to repay a \$3,425,000 BAN issued in the previous fiscal year; and (3) to pay capitalized interest into the Debt Service Fund.

On May 9, 2024, the District issued its \$7,490,000 Series 2024A Unlimited Tax Road Bonds at a net effective interest rate of 4.375085%. Proceeds of the bonds were used to reimburse 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.

Fort Bend County Municipal Utility District No. 198
Notes to Financial Statements
September 30, 2024

Note 10 – Long-Term Debt (continued)

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

Bonds payable, beginning of year	\$ -
Bonds issued	14,560,000
Bonds payable, end of year	<u>\$ 14,560,000</u>

As of September 30, 2024, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2025	\$ -	\$ 648,774	\$ 648,774
2026	320,000	648,775	968,775
2027	330,000	628,363	958,363
2028	350,000	606,913	956,913
2029	360,000	584,163	944,163
2030	380,000	560,762	940,762
2031	400,000	536,063	936,063
2032	420,000	510,062	930,062
2033	435,000	486,437	921,437
2034	455,000	469,038	924,038
2035	480,000	450,837	930,837
2036	505,000	431,638	936,638
2037	525,000	411,437	936,437
2038	555,000	390,438	945,438
2039	575,000	368,237	943,237
2040	605,000	345,238	950,238
2041	630,000	321,037	951,037
2042	660,000	295,838	955,838
2043	695,000	269,437	964,437
2044	730,000	241,638	971,638
2045	765,000	212,438	977,438
2046	800,000	180,880	980,880
2047	835,000	147,882	982,882
2048	875,000	113,437	988,437
2049	915,000	77,344	992,344
2050	960,000	39,600	999,600
	<u>\$ 14,560,000</u>	<u>\$ 9,976,706</u>	<u>\$ 24,536,706</u>

Fort Bend County Municipal Utility District No. 198
Notes to Financial Statements
September 30, 2024

Note 11 – Property Taxes

On November 6, 2018, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value and a road maintenance tax limited to \$0.25 per \$100 of assessed value. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

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

Property taxes are collected based on rates adopted in the year of the levy. The District's 2024 fiscal year was financed through the 2023 tax levy, pursuant to which the District levied property taxes of \$1.50 per \$100 of assessed value, all of which was allocated to maintenance and operations. The resulting tax levy was \$1,006,477 on the adjusted taxable value of \$67,098,515.

Property taxes receivable, at September 30, 2024, consisted of the following:

Property taxes receivable	\$ 4,814
Penalty and interest receivable	963
Property taxes receivable	<u>\$ 5,777</u>

Note 12 – Transfers to Other Governments

Fort Bend County assumes responsibility for the maintenance of public roads constructed within the county limits. Accordingly, road facilities are considered to be capital assets of Fort Bend County, not the District and are recorded as transfers to other governments on the *Statement of Activities* upon completion of construction. This cost is trued-up when the developer is subsequently reimbursed. For the year ended September 30, 2024, the District recorded transfers to other governments in the amount of \$3,216,832 for road facilities constructed by a developer within the District.

Note 13 – Regional Water Authority

A majority of the District is within the boundaries of the North Fort Bend Water Authority (the "Authority"), which was created by the Texas Legislature. The Authority is a political subdivision of the State of Texas, governed by an elected five-member Board of Directors. The Authority was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Harris-Galveston Coastal Subsidence District, which regulates groundwater withdrawal.

Fort Bend County Municipal Utility District No. 198
Notes to Financial Statements
September 30, 2024

Note 13 – Regional Water Authority (continued)

As of January 1, 2022, the Authority's rates are \$4.55 per 1,000 gallons of water for groundwater pumped by the Master District and imported into the boundaries of the District. The District passes these costs on to its customers and effective March 14, 2024, the rate is \$5 for each 1,000 gallons of water delivered to the user. These rates are subject to future increases. During the current year, the District recognized \$317,121 in revenues for regional water authority fees.

The District remits all amounts collected for regional water authority fees from customers to the Master District, who pays the groundwater fees to the Authority on behalf of the District.

Note 14 – Capacity Charges

On May 9, 2024, the District entered into an agreement with Lamar Consolidated Independent School District ("LCISD") for the provision of water, sewer, and drainage/detention capacity in the District's facilities to serve a tract, which is proposed to be developed for an elementary school. Based on the requested amount of capacity, LCISD is required to pay a non-taxable user fee of \$541,911, which consists of \$159,007 due to the District and \$382,904 due to MUD 214, in its capacity as the Master District. As of September 30, 2024, LCISD has paid its pro rata share of \$159,007 to the District.

Note 15 – Cost Sharing Agreement

On November 12, 2021, the District and Fort Bend County Municipal Utility District No. 195 ("MUD 195") entered into a Cost Sharing Agreement for Water and Sanitary Sewer Facilities (the "Agreement") for the purpose of acquiring, constructing, and operating water supply and sanitary sewer facilities (the "Facilities") to serve both districts. Each district is responsible for their pro-rata share of costs based on their projected share of capacity. During the previous fiscal year, the District transferred ownership and maintenance of the facilities to the Master District.

Note 16 – 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.

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Required Supplementary Information

Fort Bend County Municipal Utility District No. 198
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2024

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Water service	\$ 364,000	\$ 360,694	\$ 189,713	\$ (170,981)
Sewer service			235,941	235,941
Property taxes	1,100,000	1,075,000	1,021,428	(53,572)
Penalties and interest			32,335	32,335
Tap connection and inspection	604,800	604,800	750,494	145,694
Regional water authority fees	264,000	267,878	317,121	49,243
Lease contribution			159,007	159,007
Miscellaneous			3,341	3,341
Investment earnings	1,000	1,000	31,564	30,564
Total Revenues	<u>2,333,800</u>	<u>2,309,372</u>	<u>2,740,944</u>	<u>431,572</u>
Expenditures				
Current service operations				
Purchased services	1,249,560	1,086,608	1,359,255	(272,647)
Professional fees	199,000	199,000	140,699	58,301
Contracted services	227,220	166,536	234,357	(67,821)
Repairs and maintenance	50,000	50,000	144,628	(94,628)
Utilities	5,000	5,000	3,405	1,595
Administrative	50,500	58,000	45,980	12,020
Other	2,500	2,500	13,473	(10,973)
Capital outlay	175,440	175,440	231,124	(55,684)
Total Expenditures	<u>1,959,220</u>	<u>1,743,084</u>	<u>2,172,921</u>	<u>(429,837)</u>
Revenues Over Expenditures	374,580	566,288	568,023	1,735
Other Financing Sources				
Internal transfers			9,880	9,880
Net Change in Fund Balance	374,580	566,288	577,903	11,615
Fund Balance				
Beginning of the year	448,962	448,962	448,962	
End of the year	<u>\$ 823,542</u>	<u>\$ 1,015,250</u>	<u>\$ 1,026,865</u>	<u>\$ 11,615</u>

Fort Bend County Municipal Utility District No. 198
Notes to Required Supplementary Information
September 30, 2024

Budgets and Budgetary Accounting

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

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Texas Supplementary Information

Fort Bend County Municipal Utility District No. 198
TSI-1. Services and Rates
September 30, 2024

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

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

2. Retail Service Providers

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

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

District employs winter averaging for wastewater usage? ☐ Yes ☒ No

Total charges per 10,000 gallons usage: Water \$ 26.10 Wastewater \$ 42.84

* Groundwater Pumpage Fee: \$5.00 for 1,000 gallons of water

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"	566	563	x 1.0	563
1"	43	42	x 2.5	105
1.5"	9	9	x 5.0	45
2"	17	17	x 8.0	136
3"			x 15.0	
4"			x 25.0	
6"	1	1	x 50.0	50
8"			x 80.0	
10"			x 115.0	
Total Water	636	632		899
Total Wastewater	612	608	x 1.0	608

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 198
TSI-1. Services and Rates
September 30, 2024

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

* Gallons purchased:	<u>64,092,000</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>64,092,000</u>	(Gallons billed / Gallons pumped)
		<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 Municipal Utility District No. 214

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 198
TSI-2. General Fund Expenditures
For the Year Ended September 30, 2024

Purchased services	\$ 1,359,255
Professional fees	
Legal	49,209
Audit	16,000
Engineering	75,490
	<u>140,699</u>
Contracted services	
Bookkeeping	24,200
Operator	98,908
Garbage collection	85,535
Tax assessor collector	20,646
Appraisal district fees	5,068
	<u>234,357</u>
Repairs and maintenance	<u>144,628</u>
Utilities	<u>3,405</u>
Administrative	
Directors fees	11,407
Printing and office supplies	25,468
Insurance	5,369
Other	3,736
	<u>45,980</u>
Other	<u>13,473</u>
Capital outlay	<u>231,124</u>
Total expenditures	<u><u>\$ 2,172,921</u></u>

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 198
TSI-3. Investments
September 30, 2024

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>
General			
TexSTAR	Variable	N/A	<u>\$ 1,152,036</u>
Debt Service			
TexSTAR	Variable	N/A	383,931
TexSTAR	Variable	N/A	<u>407,145</u>
			<u>791,076</u>
Total - All Funds			<u><u>\$ 1,943,112</u></u>

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 198
TSI-4. Taxes Levied and Receivable
September 30, 2024

	Maintenance Taxes		
Taxes Receivable, Beginning of Year	\$	15,144	
Adjustments to Prior Year Tax Levy		4,621	
Adjusted Receivable		19,765	
2023 Original Tax Levy		904,778	
Adjustments		101,699	
Adjusted Tax Levy		1,006,477	
Total to be accounted for		1,026,242	
Tax collections:			
Current year		1,001,663	
Prior year		19,765	
Total Collections		1,021,428	
Taxes Receivable, End of Year	\$	4,814	
Taxes Receivable, By Years			
2023	\$	4,814	
	2023	2022	2021
Property Valuations:			
Land	\$ 39,421,353	\$ 35,046,610	\$ 12,474,110
Improvements	30,341,106	10	
Personal Property	380,170		
Exemptions	(3,044,114)	(862,933)	
Total Property Valuations	\$ 67,098,515	\$ 34,183,687	\$ 12,474,110
Tax Rates per \$100 Valuation:			
Maintenance tax rates	\$ 1.50	\$ 1.50	\$ 1.50
Total Tax Rates per \$100 Valuation	\$ 1.50	\$ 1.50	\$ 1.50
Adjusted Tax Levy:	\$ 1,006,477	\$ 512,755	\$ 187,112
Percentage of Taxes Collected to Taxes Levied **	99.52%	100.00%	100.00%

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

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

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 198
TSI-5. Long-Term Debt Service Requirements
Series 2024--by Years
September 30, 2024

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2025	\$ -	\$ 314,868	\$ 314,868
2026	155,000	314,869	469,869
2027	160,000	305,181	465,181
2028	170,000	294,781	464,781
2029	175,000	283,731	458,731
2030	185,000	272,356	457,356
2031	195,000	260,331	455,331
2032	205,000	247,656	452,656
2033	210,000	236,125	446,125
2034	220,000	227,725	447,725
2035	235,000	218,925	453,925
2036	245,000	209,525	454,525
2037	255,000	199,725	454,725
2038	270,000	189,525	459,525
2039	280,000	178,725	458,725
2040	295,000	167,525	462,525
2041	305,000	155,725	460,725
2042	320,000	143,525	463,525
2043	335,000	130,725	465,725
2044	355,000	117,325	472,325
2045	370,000	103,126	473,126
2046	390,000	87,862	477,862
2047	405,000	71,776	476,776
2048	425,000	55,068	480,068
2049	445,000	37,538	482,538
2050	465,000	19,182	484,182
	<u>\$ 7,070,000</u>	<u>\$ 4,843,425</u>	<u>\$ 11,913,425</u>

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 198
TSI-5. Long-Term Debt Service Requirements
Series 2024A Road--by Years
September 30, 2024

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2025	\$ -	\$ 333,906	\$ 333,906
2026	165,000	333,906	498,906
2027	170,000	323,182	493,182
2028	180,000	312,132	492,132
2029	185,000	300,432	485,432
2030	195,000	288,406	483,406
2031	205,000	275,732	480,732
2032	215,000	262,406	477,406
2033	225,000	250,312	475,312
2034	235,000	241,313	476,313
2035	245,000	231,912	476,912
2036	260,000	222,113	482,113
2037	270,000	211,712	481,712
2038	285,000	200,913	485,913
2039	295,000	189,512	484,512
2040	310,000	177,713	487,713
2041	325,000	165,312	490,312
2042	340,000	152,313	492,313
2043	360,000	138,712	498,712
2044	375,000	124,313	499,313
2045	395,000	109,312	504,312
2046	410,000	93,018	503,018
2047	430,000	76,106	506,106
2048	450,000	58,369	508,369
2049	470,000	39,806	509,806
2050	495,000	20,418	515,418
	<u>\$ 7,490,000</u>	<u>\$ 5,133,281</u>	<u>\$ 12,623,281</u>

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 198
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
September 30, 2024

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2025	\$ -	\$ 648,774	\$ 648,774
2026	320,000	648,775	968,775
2027	330,000	628,363	958,363
2028	350,000	606,913	956,913
2029	360,000	584,163	944,163
2030	380,000	560,762	940,762
2031	400,000	536,063	936,063
2032	420,000	510,062	930,062
2033	435,000	486,437	921,437
2034	455,000	469,038	924,038
2035	480,000	450,837	930,837
2036	505,000	431,638	936,638
2037	525,000	411,437	936,437
2038	555,000	390,438	945,438
2039	575,000	368,237	943,237
2040	605,000	345,238	950,238
2041	630,000	321,037	951,037
2042	660,000	295,838	955,838
2043	695,000	269,437	964,437
2044	730,000	241,638	971,638
2045	765,000	212,438	977,438
2046	800,000	180,880	980,880
2047	835,000	147,882	982,882
2048	875,000	113,437	988,437
2049	915,000	77,344	992,344
2050	960,000	39,600	999,600
	<u>\$ 14,560,000</u>	<u>\$ 9,976,706</u>	<u>\$ 24,536,706</u>

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 198
TSI-6. Change in Long-Term Bonded Debt
September 30, 2024

	Bond Issue		Totals
	Series 2024	Series 2024A Road	
Interest rate	4.00% - 6.50%	4.00% - 6.50%	
Dates interest payable	3/1 ; 9/1	3/1 ; 9/1	
Maturity dates	9/1/26 - 9/1/50	9/1/26 - 9/1/50	
Beginning bonds outstanding	\$ -	\$ -	\$ -
Bonds issued	<u>7,070,000</u>	<u>7,490,000</u>	<u>14,560,000</u>
Ending bonds outstanding	<u>\$ 7,070,000</u>	<u>\$ 7,490,000</u>	<u>\$ 14,560,000</u>
Interest paid during fiscal year	<u>\$ 97,959</u>	<u>\$ 103,882</u>	<u>\$ 201,841</u>
Paying agent's name and city All series	<u>BOKF, NA, Dallas, Texas</u>		
Bond Authority:	Water, Sewer and Drainage Bonds	Park Bonds	Road Bonds
Amount Authorized by Voters	\$ 206,030,500	\$ 30,693,000	\$ 68,445,000
Amount Issued	<u>(7,070,000)</u>	<u></u>	<u>(7,490,000)</u>
Remaining To Be Issued	<u>\$ 198,960,500</u>	<u>\$ 30,693,000</u>	<u>\$ 60,955,000</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 September 30, 2024: \$ 791,076

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 943,719

See accompanying auditor's report.

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Fort Bend County Municipal Utility District No. 198

TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund

For the Last Five Fiscal Years

	Amounts				
	2024	2023	2021**	2020**	2019**
Revenues					
Water service	\$ 189,713	\$ 89,997	\$ 1,315	\$ -	\$ -
Sewer service	235,941	96,781	1,105		
Property taxes	1,021,428	677,827	2,276		
Penalties and interest	32,335	34,530	52		
Surface water fees	317,121	188,610	222		
Tap connection and inspection	750,494	680,768	195,405		
Lease contribution	159,007		8,250	5,500	
Miscellaneous	3,341	1,003	1,300		100
Investment earnings	31,564	1,486	44	4	4
Total Revenues	2,740,944	1,771,002	209,969	5,504	104
Expenditures					
Current service operations					
Purchased services	1,359,255	750,207			
Professional fees	140,699	164,011	183,033	158,496	25,635
Contracted services	234,357	398,695	40,345	7,425	6,075
Repairs and maintenance	144,628	106,549	3,915		
Utilities	3,405	15,060			
Administrative	45,980	36,746	14,352	14,704	1,221
Other	13,473	34,972	865	1,490	265
Capital					
Capital outlay	231,124				
Right-to-use leased asset		50,000	678,128		
Debt service					
Lease - principal		38,293	37,288		
Lease - interest		16,707	17,712		
Total Expenditures	2,172,921	1,611,240	975,638	182,115	33,196
Revenues Over/(Under) Expenditures	\$ 568,023	\$ 159,762	\$ (765,669)	\$ (176,611)	\$ (33,092)
Total Active Retail Water Connections	632	345	64	N/A	N/A
Total Active Retail Wastewater Connections	608	325	64	N/A	N/A

*Percentage is negligible

**Unaudited

See accompanying auditor's report.

Percent of Fund Total Revenues				
2024	2023	2021**	2020**	2019**
7%	5%	1%	-	-
9%	5%	1%		
37%	38%	1%		
1%	2%	*		
12%	11%	*		
27%	39%	92%		
6%		4%	-	
*	*	1%		-
1%	*	*	-	-
100%	100%	100%	-	-
50%	42%			
5%	9%	87%	-	-
9%	23%	19%	-	-
5%	6%	2%		
*	1%			
2%	2%	7%	-	-
*	2%	*	-	-
8%				
	3%	323%		
	2%	18%		
	1%	8%		
79%	91%	464%	-	-
21%	9%	(364%)	-	-

Fort Bend County Municipal Utility District No. 198
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Current Fiscal Year

	Amounts	Percent of Fund Total Revenues
	2024	2024
Revenues		
Investment earnings	\$ 19,754	100%
Expenditures		
Debt service		
Interest and fees	201,841	1022%
Revenues Under Expenditures	\$ (182,087)	(922%)

See accompanying auditor's report.

***Fort Bend County Municipal Utility District No. 198
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended September 30, 2024***

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, TX 77027
District Business Telephone Number: (713) 860-6400
Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): July 11, 2024
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
(Set by Board Resolution -- TWC Section 49.060)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Burke Sunday	5/22 - 5/26	\$ 2,210	\$ 217	President
Chris Kolkhorst	5/22 - 5/26	1,105	93	Vice President
Robert Bardin	5/24 - 5/28	2,210	153	Secretary
JoAnn Ramos	5/24 - 5/28	1,989	117	Assistant Vice President
Jeff Tobin	7/24 - 5/28	884	14	Assistant Secretary
Mark Nelson	5/22 - 5/24	1,547	384	Former Director
Consultants		Amounts Paid		
Allen Boone Humphries Robinson LLP	2014			Attorney
<i>General legal fees</i>		\$ 58,303		
<i>Bond counsel</i>		448,415		
Si Environmental, LLC	2018	419,307		Operator
Myrtle Cruz, Inc.	2018	36,962		Bookkeeper
Assessments of the Southwest, Inc.	2018	11,180		Tax Collector
Fort Bend Central Appraisal District	Legislative	5,068		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	2022	9,466		Delinquent Tax Attorney
BGE, Inc.	2018	67,169		Engineer
McGrath & Co., PLLC	2022	38,500		Auditor
R.W. Baird & Co., Inc.	2018	356,355		Financial Advisor

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