

**FORT BEND COUNTY MUNICIPAL
UTILITY DISTRICT NO. 118
(Fort Bend County, Texas)**

**PRELIMINARY OFFICIAL STATEMENT
DATED: SEPTEMBER 10, 2024**

**\$11,080,000
UNLIMITED TAX BONDS
SERIES 2024**

**BIDS DUE: 2:00 P.M., HOUSTON TIME
BONDS AWARDED: 6:00 P.M., HOUSTON TIME
TUESDAY, OCTOBER 8, 2024
HOUSTON, TEXAS**



PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 10, 2024

IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW, AND INTEREST ON BONDS IS NOT INCLUDABLE IN THE ALTERNATIVE MINIMUM TAXABLE INCOME OF INDIVIDUALS OR CORPORATIONS EXCEPT FOR CERTAIN ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS. SEE “TAX MATTERS” HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

*The Bonds are **not** “qualified tax-exempt obligations” for financial institutions.*

NEW ISSUE - Book-Entry Only

**Ratings: Moody’s Investors Service, Inc. (Underlying) “A2”
See “SALE AND DISTRIBUTION OF THE BONDS – Municipal
Bond Guaranty Insurance and Ratings” herein**

\$11,080,000

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 118
(A Political Subdivision of the State of Texas located within Fort Bend County, Texas)
UNLIMITED TAX BONDS, SERIES 2024**

Dated Date: October 1, 2024

Due: September 1, as shown on inside cover

Interest to Accrue from: Date of Delivery

Principal of the above bonds (the “Bonds”) is payable by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N. A., currently in Dallas, Texas, or any successor paying agent/registrar (the “Paying Agent,” “Registrar” or “Paying Agent/Registrar”). Interest on the Bonds accrues from the initial date of delivery (expected October 30, 2024) (the “Date of Delivery”), and is payable on March 1, 2025, and on each September 1 and March 1 thereafter until the earlier of maturity or redemption. The Bonds are issued in denominations of \$5,000 or any integral multiple thereof in fully registered form only.

The Bonds are subject to redemption prior to maturity at the option of Fort Bend County Municipal Utility District No. 118 (the “District”), as a whole or in part, on September 1, 2029, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of the Bonds to be redeemed shall be selected by the District in integral multiples of \$5,000 within any one maturity. If fewer than all of the Bonds of any given maturity are to be redeemed at any time, the particular Bonds to be redeemed shall be selected by such method of random selection as determined by the Registrar (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Registrar for payment of the redemption price on the portion of the Bond so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

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, the principal of and interest on the Bonds will be paid by the Paying Agent 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 described herein. See “THE BONDS – Book-Entry- Only System.”

See Maturity Schedule on the inside cover

The Bonds constitute the fourteenth series of unlimited tax bonds issued by the District for the purpose of acquiring and constructing the waterworks, sanitary sewer and storm drainage system (the “System”) to serve the District or for refunding such bonds. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. SEE “INVESTMENT CONSIDERATIONS.” Voters in the District have authorized a total of \$62,255,000 principal amount of bonds for the purpose of acquiring and constructing the System or for refunding such bonds, and \$4,200,000 for parks and recreational facilities. Following the issuance of the Bonds, \$5,920,278.05 principal amount of unlimited tax bonds authorized by the District’s voters for acquiring and constructing the System or for refunding purposes and no bonds for parks and recreational facilities will remain authorized but unissued. See “THE BONDS – Issuance of Additional Debt.”

The Bonds, when issued, constitute valid and legally binding obligations of the District, payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. See “THE BONDS – Source of Payment.” Neither the State of Texas, the City of Houston, Texas, Fort Bend County, Texas, nor any political subdivision other than the District shall be obligated to pay the principal of and interest on the Bonds. Neither the faith and credit nor the taxing power of the State of Texas, the City of Houston, Texas, Fort Bend County, Texas, is pledged to the payment of the principal of and interest on the Bonds.

The Bonds are offered, when, as and if issued by the District, subject among other things to the approval of the Attorney General of Texas and of Smith, Murdaugh, Little & Bonham, L.L.P., Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about October 30, 2024.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

MATURITY SCHEDULE
CUSIP Prefix (a): 346816

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (b)	CUSIP Suffix (a)
2038 (c)	\$1,630,000	%	%	
2039 (c)	1,710,000			
2040 (c)	1,795,000			
2041 (c)	1,885,000			
2042 (c)	1,980,000			
2043 (c)	2,080,000			

- (a) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the District, the Financial Advisor (as defined herein), nor the Underwriter (as defined herein) take any responsibility for the accuracy of CUSIP numbers.
- (b) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriter. Initial reoffering yields represent the initial offering price to the public which has been established by the Underwriter for public offerings, and which subsequently may be changed.
- (c) Subject to optional redemption as described on the front cover.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions, or matters of opinion, or that they will be realized.

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

Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. However, the District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District, and to the extent that information actually comes to its attention, the other matters described in this Official Statement until the delivery of the Bonds to the Underwriter (hereinafter defined) and thereafter only as specified herein. See "OFFICIAL STATEMENT - Updating of Official Statement."

The Underwriter (defined herein) have provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter do not guarantee the accuracy or completeness of such information.

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

This Official Statement contains "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, which generally can be identified with words or phrases such as "anticipates," "believes," "could," "estimates," "expects," "foresees," "may," "predict," "should," "will" or other words or phrases of similar import. All statements included in this Official Statement that any person expects or anticipates will, should or may occur in the future are forward-looking statements. These statements are based on assumptions and analyses made in light of experience and perceptions of historical trends, current conditions and expected future developments as well as other factors the District believes are appropriate in the circumstances. However, whether actual results and developments conform with expectations and predictions is subject to a number of risks and uncertainties, including, without limitation, the information discussed under "INVESTMENT CONSIDERATIONS" in this Official Statement, as well as additional factors beyond the District's control. The important risk factors and assumptions described under that caption and elsewhere herein could cause actual results to differ materially from those expressed in any forward-looking statement. All of the forward-looking statements made in this Official Statement are qualified by these cautionary statements.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the lowest bid, which was tendered by a syndicate managed by (referred to herein as the “Underwriter” or the “Initial Purchaser”) to purchase the Bonds bearing the interest rates shown under “MATURITY SCHEDULE” at a price of _____% of the principal amount thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of _____% as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity have been sold to the public. For this purpose, the term “public” shall not include any person who is a bond house, broker, or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds after a bona fide offering of the Bonds is made by the Underwriter at the yields specified on the cover page. Information concerning reoffering yields or prices is the responsibility of the Underwriter.

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 prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering price, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT 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 United States Securities and Exchange Commission 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 laws of any other jurisdiction. 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 shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

Municipal Bond Guaranty Insurance and Ratings

Applications have been made to Assured Guaranty Inc. (“AG”) and Build America Mutual Assurance Company (“BAM”) to issue a commitment for municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by any rating companies other than Moody’s Investors Service (“Moody’s”), will be at the option and expense of the Underwriter. The Underwriter understands, by submission of its bid, that the Underwriter is solely responsible for the selection of any insurer and for all negotiations with (i) the insurer as to the premium to be paid, and (ii) the insurer and any and all rating companies as to selection of such rating companies, the ratings to be assigned the Bonds as a

consequence of the issuance of the municipal bond insurance policy, and the payment of fees in connection with such ratings except the Moody's rating fees as described below. Moody's has assigned an underlying rating of "A2" to the Bonds. If the Underwriter chooses to purchase municipal bond insurance on the Bonds, separate rating(s), including a rating by Moody's, may at the election of the Underwriter be assigned the Bonds based upon the understanding that upon delivery of the Bonds an insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by the insurer. The District will pay the cost of both the underlying rating of Moody's and the Moody's rating associated with the insurance policy issued relating to the Bonds, if the latter is elected to be used by the Underwriter. As is stated in this Official Statement under the caption "LEGAL MATTERS - No Material Adverse Change," if the Underwriter elects to purchase municipal guaranty insurance on the Bonds, the rating of the insurer's creditworthiness by any rating agency does not and will not in any manner affect the District's financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not and will not constitute a change, material or otherwise, in the District's financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligations to take up and pay for the Bonds.

BOND INSURANCE RISK FACTORS

As is stated above under the caption "SALE AND DISTRIBUTION OF THE BONDS - Municipal Bond Guaranty Insurance and Ratings," applications have been made to Assured Guaranty Inc. ("AG") and Build America Mutual Assurance Company ("BAM") to issue a commitment for municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by any rating companies other than Moody's Investors Service, Inc. will be at the option and expense of the Underwriter. If the Underwriter purchases such municipal bond guaranty insurance on the Bonds as set forth under such caption, in the event of default of the payment of principal of or interest on the Bonds when all or some become due, any owner of the Bonds shall have a claim under the municipal bond guaranty insurance policy (the "Policy") for such payments.

In the event that an insurer is unable to make payment of principal and interest on the Bonds 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 that an insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event would 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 any such insurer and its claims paying ability. An 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 an insurer and the ratings on bonds insured by any such insurer, including the Bonds, would not be subject to downgrade. Such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

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

Neither the District, nor to the knowledge of the District the Underwriter, has made independent investigation into the claims paying ability of any potential insurer of the Bonds and no assurance or representation regarding the financial strength or projected financial strength of any potential insurer is made by either the District or the Underwriter. Therefore, when making an investment decision, potential investors should carefully consider the ability of the District to pay the principal of and interest on the Bonds and the claims paying ability of any potential insurer, particularly over the life of the investment. See "SALE AND DISTRIBUTION OF THE BONDS - Municipal Bond Guaranty Insurance and Ratings" above for further information regarding the District's application for municipal bond guaranty insurance on the Bonds.

OFFICIAL STATEMENT SUMMARY

The following information is a summary of certain information contained herein and is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement, reference to which is made for all purposes.

THE BONDS

The Issuer	Fort Bend County Municipal Utility District No. 118 (the “District”), a political subdivision of the State of Texas, is located in Fort Bend County, Texas. See “THE DISTRICT.”
The Issue	\$11,080,000 Fort Bend County Municipal Utility District No. 118 Unlimited Tax Bonds, Series 2024 (the “Bonds”), mature on September 1 in each of the years and in the principal amounts set forth on the inside cover page of this Official Statement. The Bonds are dated October 1, 2024, and interest on the Bonds accrues from the Date of Delivery (as defined herein), with interest payable on March 1, 2025, and on each September 1 and March 1 thereafter until maturity or prior redemption. The Bonds are subject to redemption, in whole or in part, prior to their scheduled maturities, on September 1, 2029, or on any date thereafter at the option of the District. The Bonds are issued pursuant to a bond order (the “Bond Order”) adopted by the Board of Directors of the District. The Bonds are issued in fully registered form only, transferrable only upon presentation to the Registrar. The Bonds are issued in the denomination of \$5,000 each, or integral multiples thereof. See “THE BONDS - General” and - “Redemption Provisions.”
Book-Entry-Only System	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (hereinafter defined) 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”).
Source of Payment	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. The Bonds are obligations solely of the District, and are not obligations of the State of Texas, Fort Bend County, Texas, the City of Houston, Texas, or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, Fort Bend County, Texas, nor the City of Houston, Texas, is pledged to the payment of the principal of and interest on the Bonds. See “THE BONDS - Source of Payment.”
Use of Proceeds	Proceeds of the sale of the Bonds will be used by the District to (i) finance the District’s cost of wastewater treatment plant 2024 improvements, lift station no. 1 improvements, reclaim water improvements and a preliminary engineering report for wastewater treatment plant improvements; (ii) pay for engineering and technical services relating to such items; (iii) capitalize the sum of \$554,000 and deposit such sum in the Debt Service Fund; and (iv) pay costs of issuance of the Bonds. See “THE BONDS – Use and Distribution of Bond Proceeds.”

Authority for Issuance

At elections held within the District on August 14, 1999, and May 6, 2023, the District’s voters authorized the issuance of a total of \$62,255,000 unlimited tax bonds for financing the acquisition or construction of the System or for refunding such bonds. The Bonds are issued pursuant to the Bond Order; to Chapters 49 and 54 of the Texas Water Code, as amended; and Article XVI, Section 59 of the Texas Constitution. As required by law, the issuance of the Bonds has been approved by the Texas Commission on Environmental Quality (“TCEQ” or “Commission”).

Payment Record

The Bonds constitute the fourteenth series of unlimited tax bonds issued by the District for the purpose of construction and acquisition of the System or for refunding such bonds. The District has previously issued Unlimited Tax Bonds, Series 2001 (the “Series 2001 Bonds”), Unlimited Tax Bonds, Series 2003 (the “Series 2003 Bonds”), Unlimited Tax Bonds, Series 2003A (the “Series 2003A Bonds”), Unlimited Tax Bonds, Series 2004 (the “Series 2004 Bonds”), Unlimited Tax Bonds, Series 2005 (the “Series 2005 Bonds”), Unlimited Tax Bonds, Series 2008 (the “Series 2008 Bonds”), Unlimited Tax and Refunding Bonds, Series 2013 (the “Series 2013 Tax and Refunding Bonds”) and Unlimited Tax Bonds, Series 2017A (the “Series 2017A Bonds”) for the purpose of acquiring and constructing a water distribution, wastewater collection and storm drainage system and other facilities (the “System”) to serve the District, and Unlimited Tax Park Bonds, Series 2017B (the “Series 2017B Park Bonds”) for financing recreational facilities. The District also has issued Unlimited Tax Refunding Bonds, Series 2010 (the “Series 2010 Refunding Bonds”), Unlimited Tax Refunding Bonds, Series 2012 (the “Series 2012 Refunding Bonds”) the Series 2013 Tax and Refunding Bonds, Unlimited Tax Refunding Bonds, Series 2015 (the “Series 2015 Refunding Bonds”), Unlimited Tax Refunding Bonds, Series 2017 (the “Series 2017 Refunding Bonds”) and Unlimited Tax Refunding Bonds, Series 2020 (the “Series 2020 Refunding Bonds”) to refund outstanding bonds of the District. Collective reference is made in this Official Statement to all of such previously issued bonds as the “Prior Bonds.” The District has timely made all payments on the Prior Bonds when due. Before the issuance of the Bonds, the principal amount of the Prior Bonds that has not been previously retired by the District is \$27,150,000 (the “Outstanding Bonds”). After issuance of the Bonds, the District’s total bonded indebtedness will be \$38,230,000.

NOT Qualified Tax-Exempt Obligations . . .

The Bonds are **not** “qualified tax-exempt obligations” for financial institutions.

Municipal Guaranty Insurance
and Rating.

Applications have been made to Assured Guaranty Inc. (“AG”) and Build America Mutual Assurance Company (“BAM”) to issue a commitment for municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by any rating companies other than Moody’s Investors Service (“Moody’s), will be at the option and expense of the Underwriter. The Underwriter understands, by submission of its bid, that the Underwriter is solely responsible for the selection of any insurer and for all negotiations with (i) the insurer as to the premium to be paid, and (ii) the insurer and any and all rating companies as to selection of such rating companies, the ratings to be assigned the Bonds as a consequence of the issuance of the municipal bond insurance policy, and the payment

of fees in connection with such ratings except the Moody’s rating fees as described below. Moody’s has assigned an underlying rating of “A2” to the Bonds. If the Underwriter chooses to purchase municipal bond insurance on the Bonds, separate rating(s), including a rating by Moody’s, may at the election of the Underwriter be assigned the Bonds based upon the understanding that upon delivery of the Bonds an insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by the insurer. The District will pay the cost of both the underlying rating of Moody’s and the Moody’s rating associated with the insurance policy issued relating to the Bonds, if the latter is elected to be used by the Underwriter. As is stated in this Official Statement under the caption “LEGAL MATTERS - No Material Adverse Change,” if the Underwriter elects to purchase municipal guaranty insurance on the Bonds, the rating of the insurer’s creditworthiness by any rating agency does not and will not in any manner affect the District’s financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not and will not constitute a change, material or otherwise, in the District’s financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligations to take up and pay for the Bonds.”

Paying Agent/Registrar The Paying Agent/Registrar of the Bonds is The Bank of New York Mellon Trust Company, N.A., with its principal payment office currently in Dallas, Texas.

Bond Counsel Smith, Murdaugh, Little & Bonham, L.L.P., Houston, Texas, Bond Counsel. See “LEGAL MATTERS” and “TAX MATTERS.”

Disclosure Counsel McCall, Parkhurst & Horton L.L.P., Houston, Texas.

THE DISTRICT

The District Fort Bend County Municipal Utility District No. 118 was created by the Texas Natural Resource Conservation Commission (the “TNRCC”), predecessor to the Texas Commission on Environmental Quality (the “TCEQ”) on August 28, 1998, and operates pursuant to Chapters 49 and 54 of the Texas Water Code. The District contains approximately 620.4 acres of land. The District is located entirely within Fort Bend County, Texas, and lies approximately 25 miles southwest of the central business district of the City of Houston, Texas. The District is located entirely within the extraterritorial jurisdiction of the City of Houston and within the Fort Bend Independent School District. The District is located approximately 4.5 miles northwest of the intersection of U.S. Highway 90A and State Highway 99. The District is generally bordered by Oyster Creek on the south, Farmer Road on the west, and West Bellfort Road on the north. The Grand Parkway traverses the District in an east- west direction. See “THE DISTRICT - Authority” and - “Description,” “AERIAL PHOTOGRAPH OF THE DISTRICT,” and “APPENDIX A - LOCATION MAP.”

Authority The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 54 of the Texas Water Code. See “THE DISTRICT- Authority.” The District was created to finance the acquisition or construction of water distribution, wastewater collection and storm drainage facilities, roads and related projects (the “System”) to serve the land located within the District. See “THE SYSTEM.”

Authorized but Unissued Bonds

\$5,920,278.05 for waterworks, sanitary sewer, and drainage facilities (collectively, the “System”) or for refunding purposes and no bonds for parks and recreational facilities. See “FUTURE DEVELOPMENT.” The District expects to finance the District’s cost of construction of additional improvements to the System with the sale of additional bonds, if any, in the future. See “THE BONDS - Issuance of Additional Debt,” “INVESTMENT CONSIDERATIONS - Future Debt” and “THE SYSTEM.”

Development of the District . . .

Land within the District has been developed primarily for single-family residential usage. As of September 1, 2024, the District contained a total of 1,308 fully developed single-family residential lots, on all of which lots single-family residences have been constructed and sold to home purchasers. The 1,308 fully developed single-family residential lots and homes (approximately 445.5 total acres) are located in Waterside Estates, Sections 1 through 13 and Waterside Village, Sections 1 through 3. All of such lots have been provided water supply and distribution, wastewater collection and treatment and storm drainage facilities (the “System”) and street paving. In addition, approximately 42.9 acres located within the District have been developed for commercial purposes with the provision of components of the System and street paving to the perimeter of such land. Commercial above-ground improvements that have been completed thereon totaling approximately 485,281 square feet of building area, which includes a Kroger grocery store, banks, auto repair shops, children’s day care centers, a drug store, a fast food restaurant, retail shopping centers and an emergency care center. In addition, the 230-unit Grand Mason at Waterside Apartments have been constructed on approximately 8.92 acres located within the District and the 246-unit Waterside at Mason Apartments have been constructed on approximately 6.6 acres located within the District. An aggregate of approximately 5.20 additional acres of currently undeveloped land located within the District is owned by multiple parties, none of which has reported any definitive development plan to the District covering any of such acres. Since none of such parties is under any obligation to the District to develop any of such land, the District cannot predict whether or when any of such currently undeveloped property will be developed. The Waterside Recreation Center has been constructed on an approximately 6.0 acre tract of land within the District. A church has been constructed on an approximately 6.0 acre tract located within the District. Approximately 12.2 acres of land located within the District are owned by the Fort Bend Independent School District. The remaining land located in the District consists of street and drainage rights-of-way, District plant sites and other parcels that are not available for future development. See “FUTURE DEVELOPMENT.”

The District financed its cost of a water plant, the installation of an interim wastewater treatment plant, a storm water detention facility, outfall drainage channel, wastewater Lift Station No. 1 and land associated therewith; wastewater force mains, a wastewater treatment plant access road bridge, components of the System to serve Waterside Estates, Sections 1 through 13 and Waterside Village, Sections 1 through 3, Mason Road Extension, Lift Station No. 2, pipeline adjustments, a 750,000 gallons-per-day wastewater treatment plant, water plant improvements, erosion control at the District’s detention pond, a reclaimed water system for irrigation use within the District and a second emergency interconnect with Fort Bend County Municipal

Utility District Nos. 143, 146 and 194 and recreational facilities to serve the District with the proceeds of the sale of the Prior Bonds. The District is financing its cost of wastewater treatment plant 2024 improvement project, lift station no. 1 improvements, reclaim water improvements and a preliminary engineering report for wastewater treatment plant improvements with the proceeds of the sale of the Bonds. The District expects to finance the District's cost of construction of additional improvements to the System with the sale of additional bonds, if any, in the future. See "INVESTMENT CONSIDERATIONS - Future Debt," "THE BONDS - Issuance of Additional Debt," and "THE SYSTEM - Description."

INVESTMENT CONSIDERATIONS

THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS AS SET FORTH IN THIS OFFICIAL STATEMENT. PROSPECTIVE PURCHASERS SHOULD CAREFULLY EXAMINE THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING THEIR INVESTMENT DECISIONS, ESPECIALLY THE PORTION OF THE OFFICIAL STATEMENT ENTITLED "INVESTMENT CONSIDERATIONS."

**SELECTED FINANCIAL INFORMATION
(UNAUDITED)**

2023 Assessed Valuation	\$ 606,451,158 (a)
(As of January 1, 2023)	
See "TAX DATA" and "TAXING PROCEDURES"	
2024 Assessed Valuation	\$ 671,063,792 (b)
(As of January 1, 2024)	
See "TAX DATA" and "TAXING PROCEDURES"	
Direct Debt:	
Outstanding Bonds	\$ 27,150,000
The Bonds	<u>11,080,000</u>
Total	\$ 38,230,000 (c)
Estimated Overlapping Debt	\$ <u>22,340,953</u>
Total Direct and Estimated Overlapping Debt	\$ 60,570,953
Direct Debt Ratio	
: as a percentage of 2023 Assessed Valuation	6.30 %
: as a percentage of 2024 Assessed Valuation	5.70 %
Direct and Overlapping Debt Ratio	
: as a percentage of 2023 Assessed Valuation	9.99 %
: as a percentage of 2024 Assessed Valuation	9.03 %
Debt Service Fund Balance as of Delivery of the Bonds	\$ 2,864,226 (d)
General Fund Balance as of August 13, 2024	\$ 3,982,055
2024 Tax Rate per \$100 of Assessed Valuation	
Debt Service Tax	\$ 0.385
Maintenance Tax	<u>0.205</u>
Total	\$ 0.590
Average Percentage of Total Tax Collections (2013-2022) as of July 31, 2024	99.84 %
Percentage of Collections of 2023 Tax Levy as of July 31, 2024	98.86 %
Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2025-2037)	\$ 3,101,669
Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2033)	\$ 3,310,988
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2025-2037) at 95% Tax Collections	
Based Upon 2023 Assessed Valuation	\$ 0.54
Based Upon 2024 Assessed Valuation	\$ 0.49

Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual
Debt Service Requirements on the Bonds and the Outstanding Bonds
(2033) at 95% Tax Collections

Based Upon 2023 Assessed Valuation.....	\$	0.58
Based Upon 2024 Assessed Valuation.....	\$	0.52

Number of Single Family Homes..... 1,308

230-Unit Grand Mason at Waterside Apartments
246-Unit Waterside at Mason Apartments

Commercial Improvements
Completed - Approximately 485,281 Square Feet of Building Area

- (a) As of January 1, 2023, and comprises the District's 2023 tax roll. All property located in the District is valued on the tax rolls by the Fort Bend Central Appraisal District (the "Appraisal District") at 100% of assessed value as of January 1 of each year. The District's tax roll is certified by the Fort Bend County Appraisal Review Board (the "Appraisal Review Board"). See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."
- (b) As of January 1, 2024, and comprises the District's 2024 tax roll. Such sum includes an uncertified component of \$1,507,608, 92% of which, \$1,386,999, is included in the amount of \$671,063,792. The District's ultimate 2024 Assessed Valuation will not be determined until such uncertified values are certified by the Appraisal Review Board, and thus may vary from such sum of \$671,063,792. See "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT." The District expects to finance the District's cost of construction of additional improvements to the System with the sale of additional bonds, if any, in the future. See "THE BONDS - Issuance of Additional Debt," "INVESTMENT CONSIDERATIONS - Future Debt" and "THE SYSTEM."
- (d) Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Debt Service Fund. The District will capitalize the amount of \$554,000 from the proceeds of the sale of the Bonds and deposit such sum in Debt Service Fund upon the delivery of the Bonds. Such balance reflects the timely payment by the District of the entirety its debt service payments that were due for 2024 on the Outstanding Bonds, and the deposit of such capitalized interest upon delivery of the Bonds. The District's initial debt service payment on the Bonds, consisting of an interest payment thereon, is due on March 1, 2025.

\$11,080,000
FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 118
UNLIMITED TAX BONDS
SERIES 2024

INTRODUCTION

This Official Statement of Fort Bend County Municipal Utility District No. 118 (the “District”) is provided to furnish information with respect to the sale by the District of its \$11,080,000 Unlimited Tax Bonds, Series 2024 (the “Bonds”). The Bonds are issued pursuant to the Bond Order; to Chapters 49 and 54 of the Texas Water Code, as amended; and Article XVI, Section 59 of the Texas Constitution. As required by law, the issuance of the Bonds has been approved by the Texas Commission on Environmental Quality (“TCEQ” or “Commission”).

There follow in this Official Statement descriptions of the Bonds, the use of proceeds of the Bonds, the Bond Order 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 the District upon payment of the costs of duplication therefor. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Order, except as otherwise indicated herein.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order of the Board authorizing the issuance of the Bonds. A copy of the Bond Order may be obtained from the District upon request.

The \$11,080,000 Fort Bend County Municipal Utility District No. 118 Unlimited Tax Bonds, Series 2024, are dated October 1, 2024, and interest accrues from the Date of Delivery, with interest payable on March 1, 2025, and on each September 1 and March 1 thereafter until the earlier of maturity or redemption. The Bonds are issued as fully-registered bonds maturing on September 1 in each of the years and in the principal amounts as shown under the caption “MATURITY SCHEDULE” on the inside cover page of this Official Statement. 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, the principal of and interest on the Bonds will be paid by the Paying Agent (hereinafter defined) 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 described below under “Book-Entry-Only System.”

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor believe the source of such information to be reliable, but neither of the District or the Financial Advisor takes any responsibility for the accuracy or completeness thereof.

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

DTC, New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each 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 ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries.

Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

Redemption notices shall be sent to DTC. If less than all of the Bonds within 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.

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with 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, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the 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 Order will be given only to DTC.

Record Date

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

Assignments, Transfers and Exchanges

In the event the book-entry-only system is discontinued, the Bonds may be transferred, registered and assigned only on the registration books kept by The Bank of New York Mellon Trust Company, N.A., currently in Dallas, Texas (the "Paying Agent," "Registrar" or "Paying Agent/Registrar"), at the principal payment office of the Registrar, and such registration and transfer shall be without expense or service charge to the owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. 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 Registrar. At any time after the date of delivery of the Bonds to the Initial Purchaser (the "Initial Delivery"), any Bond may be transferred or exchanged upon its presentment and surrender at the office of the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the owner not more than three business days after the receipt of the request in proper form to transfer, exchange or replace the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in denominations of \$5,000 or any integral multiple thereof for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. Neither the District nor the Registrar is required (1) to 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 (2) to transfer or exchange any Bond selected for redemption in whole or in part within thirty (30) calendar days of the redemption date.

Redemption Provisions

The Bonds 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, 2029, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption.

Notice of the exercise of the reserved right of redemption will be given at least thirty (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 fewer than all of the Bonds are optionally redeemed at any time, the particular maturities and amounts of the Bonds to be redeemed shall be selected by the District in integral multiples of \$5,000. If fewer than all of the Bonds of any given maturity are to be redeemed at any time, the particular Bonds shall be selected by such method of random selection as is determined by the Registrar (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). The Registered Owner of any Bond, including DTC while the Bonds are in book-entry-only form, all or a portion of which has been called for redemption, shall be required to present same to the 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.

Replacement of Bonds

The District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds at the principal payment office of the Registrar, currently in Dallas, Texas, or receipt of satisfactory evidence by the Registrar and the District of such destruction, loss or theft, and receipt by the District and the Registrar of security or indemnity to hold them harmless. The District and the Registrar may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Source of Payment

The Bonds, when issued, will constitute valid and binding obligations of the District, and the principal thereof and interest thereon, together with the principal of and interest on the Outstanding Bonds (hereinafter defined) and such additional tax bonds of the District, if any, as hereafter may be issued, are payable from and are secured by the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Order, the District covenants to levy a tax sufficient to pay principal of and interest on the Outstanding Bonds and the Bonds, with full allowance being made for delinquencies, costs of levy and collection, and Registrar and Fort Bend Appraisal District fees. Tax proceeds, after deduction for collection costs, will be placed in the Debt Service Fund and used solely to pay principal of and interest on the Bonds, the Outstanding Bonds, and on additional bonds payable from taxes which may be issued. See "TAX DATA."

Authority for Issuance

At elections held within the District on August 14, 1999, and May 6, 2023, the District's voters authorized the issuance of a total of \$62,255,000 unlimited tax bonds for financing the acquisition or construction of the System or for refunding such bonds. The Bonds constitute the fourteenth installment of bonds from such authorizations for financing the acquisition or construction of the System or for refunding such bonds. The District has previously issued Unlimited Tax Bonds, Series 2001 (the "Series 2001 Bonds"), Unlimited Tax Bonds, Series 2003 (the "Series 2003 Bonds"), Unlimited Tax Bonds, Series 2003A (the "Series 2003A Bonds"), Unlimited Tax Bonds, Series 2004 (the "Series 2004 Bonds"), Unlimited Tax Bonds, Series 2005 (the "Series 2005 Bonds"), Unlimited Tax Bonds, Series 2008 (the "Series 2008 Bonds"), Unlimited Tax and Refunding Bonds, Series 2013 (the "Series 2013 Tax and Refunding Bonds") and Unlimited Tax Bonds, Series 2017A (the "Series 2017A Bonds") for the purpose of acquiring and constructing a water distribution, wastewater collection and storm drainage system and other facilities (the "System") to serve the District, and Unlimited Tax Park Bonds, Series 2017B (the "Series 2017B Park Bonds") for financing recreational facilities. The District also has issued Unlimited Tax Refunding Bonds, Series 2010 (the "Series 2010 Refunding Bonds"), Unlimited Tax Refunding Bonds, Series 2012 (the "Series 2012 Refunding Bonds") the Series 2013 Tax and Refunding Bonds, Unlimited Tax Refunding Bonds, Series 2015 (the "Series 2015 Refunding Bonds"),

Unlimited Tax Refunding Bonds, Series 2017 (the “Series 2017 Refunding Bonds”) and Unlimited Tax Refunding Bonds, Series 2020 (the “Series 2020 Refunding Bonds”) to refund outstanding bonds of the District. Collective reference is made in this Official Statement to all of such previously issued bonds as the “Prior Bonds.” The District has timely made all payments on the Prior Bonds when due. Before the issuance of the Bonds, the principal amount of the Prior Bonds that has not been previously retired by the District is \$27,150,000 (the “Outstanding Bonds”).

The Bonds are issued pursuant to the Bond Order; to Chapters 49 and 54 of the Texas Water Code, as amended; and Article XVI, Section 59 of the Texas Constitution. As required by law, the issuance of the Bonds has been approved by the Texas Commission on Environmental Quality (“TCEQ” or “Commission”).

Funds

The Bond Order creates the District’s fund for debt service on the Bonds and any additional unlimited tax bonds issued by the District for the System (the “Debt Service Fund”). \$554,000 of capitalized interest on the Bonds will be deposited into the Debt Service Fund upon delivery of the Bonds. The Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Bonds and any additional unlimited tax bonds issued by the District for the System, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Bonds and any of the District’s other duly authorized bonds issued for the System payable in whole or in part from taxes. Amounts on deposit in the Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/ Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any additional bonds for the System payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

Issuance of Additional Debt

The District may issue additional bonds payable from taxes to provide and maintain improvements and facilities for which the District was created, with approval of the TCEQ and the District’s voters. Following the issuance of the Bonds, \$5,920,278.05 for waterworks, sanitary sewer, and drainage facilities or for refunding purposes and no bonds for parks and recreational facilities authorized by the District’s voters will remain unissued. Additional tax bonds may be voted in the future. The Board is further empowered to borrow money for any lawful purpose and to issue bond anticipation notes, tax anticipation notes, and revenue bonds and notes.

The Bond Order imposes no limitation on the amount of additional bonds which may be issued by the District (if authorized by the District’s voters and approved by the TCEQ). Any additional bonds issued by the District may be on a parity with the Bonds.

Additional unlimited tax bonds will be required to provide water, sanitary sewer and drainage facilities and services to the remaining undeveloped land within the District’s boundaries. Based on present engineering cost estimates, the total remaining authorized unlimited tax bonds in the amount of \$5,920,278.05 are sufficient, in the opinion of the District’s Engineer, to complete the extension of water, sanitary sewer and drainage facilities and services and to finance connection charges to the City associated with the City’s provision of water supply to the District (“Connection Charges”) to all of the remaining undeveloped acreage located within the District. See “FUTURE DEVELOPMENT.”

The District is also authorized by law to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue bonds payable from taxes for fire-fighting activities, the following actions would be required: (i) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (ii) approval of the master plan and bonds by the TCEQ; and (iii) approval of bonds by the Attorney General of Texas. The Board has not considered calling an election at this time for such purposes.

The District is also authorized by statute to pay for the development and maintenance of parks and recreational facilities (excluding swimming pools and golf courses) and may issue bonds payable from taxes for such purposes if approved by the voters within the District. Voters of the District approved the issuance of \$4,200,000 park bonds on May 7, 2016. The District issued its Series 2017 Park Bonds pursuant to such authorization. The District has exhausted the voter authorization for recreational facilities.

The District expressly reserves the right to issue in one or more installments the following: (1) bonds payable solely from net revenues of the District's water and sewer system for the purpose of completing, repairing, improving, extending, enlarging or replacing such system, and such bonds may be payable from and equally secured by a lien on and pledge of said net revenues on a parity with the pledge on any previously issued bonds secured by net revenues to the extent net revenues are used to pay the principal of and interest on such bonds; (2) inferior lien bonds and to pledge the net revenues of such system to the payment thereof, such pledge to be subordinate in all respects to the lien of previously issued revenue bonds and any previously issued or subsequently issued bonds which are on a parity with the Bonds; and (3) special project bonds for the purchase, construction, improvement, extension, replacement, enlargement or repair of water, sewer and/or drainage facilities necessary under a contract or contracts with persons, corporations, municipal corporations, political subdivisions or other entities, such special project bonds to be payable from and secured by the proceeds of such contract or contracts.

Issuance of additional bonds or other subsequently authorized bonds could affect the investment quality or security of the Bonds. See "INVESTMENT CONSIDERATIONS - Future Debt."

Defeasance

The Bond Order provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished as follows: (i) by paying or causing to be paid principal and interest on the Bonds (whether at maturity, redemption or otherwise) in accordance with the terms of the Bonds; (ii) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption, or (iii) 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, or with a trust company or commercial bank designated in the proceedings authorizing such discharge, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) 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. The foregoing obligations may be in book entry form and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Order.

Upon such payment or 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. Because the Bond Order does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality of those currently permitted under Texas law.

Annexation and Consolidation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District must conform to a City of Houston consent ordinance. Generally, the District may be annexed by the City of Houston without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District; however, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. However, pursuant to the Strategic Partnership Agreement with the City, the City has agreed not to annex the District for full purposes, without the agreement of the District, for at least thirty (30) years. See "Strategic Partnership Agreement" below. If annexation by the City were to occur, the District would be abolished within 90 days after annexation. When the District is annexed and abolished, the City must assume the assets, functions and obligations of the District (including the Bonds). No representation is made concerning the likelihood of annexation or the ability of the City to make debt service payments on the Bonds should annexation occur.

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.

Strategic Partnership Agreement

The District and the City of Houston (the "City") entered into a Strategic Partnership Agreement (the "SPA"), effective as of December 14, 2009, pursuant to Chapter 43 of the Texas Local Government Code. The SPA provides for a "limited purpose annexation" for that portion of the District which is developed for retail and commercial purposes in order to apply certain City health, safety, planning and zoning ordinances within the District. Areas of residential development within the District are not subject to the limited purpose annexation. The SPA also provides that the City will not annex the District for "full purposes" for at least thirty (30) years from the effective date of the SPA.

As of the effective date of the SPA, the City was authorized to impose the one percent (1%) City sales and use tax within the portion of the District included in the limited purpose annexation. The City pays to the District an amount equal to one half (½) of all sales and use tax revenue generated within such area of the District and received by the City from the Comptroller of Public Accounts of the State of Texas (the "Sales Tax Revenue"). Pursuant to State law, the District is authorized to use Sales Tax Revenue generated under the SPA for any lawful purpose. None of the anticipated Sales Tax Revenue is pledged toward the payment of principal and interest on the Bonds

Legal Investment and Eligibility to Secure Public Funds in Texas

Pursuant to Section 49.186, Texas Water Code, and Chapter 1201, Texas Government Code, the Bonds, whether rated or unrated, are (a) legal investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, and trustees and (b) legal investments for the public funds of cities, towns, villages, school districts, and other political subdivisions or public agencies of the State. The Bonds are also eligible under the Public Funds Collateral Act, Chapter 2257, Texas Government Code, to secure deposits of public funds of the State or any political subdivision or public agency of the State and are lawful and sufficient for those deposits to the extent of their market value. Most political subdivisions in the State of Texas are required to adopt investment guidelines under the Public Funds Investment Act, Chapter 2256, Texas Government Code, and such political subdivisions may impose other, more stringent, requirements in order for the Bonds to be legal investments for such entity's funds or to be eligible to serve as collateral for their funds.

The District has not reviewed the laws in other states to determine whether the Bonds are legal investments for various institutions in those states or eligible to serve as collateral for public funds in those states. The District has made no investigation of any other laws, rules, regulations or investment criteria that might affect the suitability of the Bonds for any of the above purposes or limit the authority or any of the above persons or entities to purchase or invest in the Bonds.

Amendments

The District has reserved the right to amend the Bond Order without the consent of the Registered Owners as may be required (a) by the provisions of the Bond Order, (b) for the purpose of curing any ambiguity, inconsistency, or formal defect or omission in the Bond Order, or (c) in connection with any other change not to the prejudice of the holders of the Bonds, but may not otherwise amend the terms of the Bonds or of the Bond Order without the consent of the holders of the Bonds.

Registered Owners' Remedies

The Bond Order contains a covenant that while any of the Bonds is outstanding, there shall be assessed, levied, and collected an annual ad valorem tax, without limit as to rate or amount, on all taxable property within the District, sufficient to pay principal of and interest on the Bonds when due and to pay the expenses necessary in collecting taxes. Pursuant to Texas law, the Bond Order provides that in the event the District defaults in the payment of the principal of or interest on any of the Bonds when due, or fails to make payments required by the Bond Order into the Debt Service Fund, or defaults in the observance or performance of any of the other covenants, conditions or obligations set forth in the Bond Order, any Registered Owner shall be entitled at any time to seek a writ of mandamus from a court of competent jurisdiction compelling and requiring the Board of Directors of the District to make such payments or to observe and perform such covenants, obligations or conditions. Such right is in addition to all other rights the Registered Owners may be provided by the laws of the State 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 and collect adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Order does 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 by the Registered Owners. Even if 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 taxable property within the District in order to pay the principal of or interest on the Bonds.

Certain traditional legal remedies also may not be available. The enforceability of the rights and remedies of the Registered Owners may be further 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. See "Bankruptcy Limitation to Registered Owners' Rights" below.

Bankruptcy Limitation to Registered Owners' Rights

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

If the District decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the District would develop and file a plan for the adjustment of its debts, and the Bankruptcy Court would confirm the District's plan if (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code, (2) all payments to be made in connection with the plan are fully disclosed and reasonable, (3) the District is not prohibited by law from taking any action necessary to carry out the plan, (4) administrative expenses are paid in full, and (5) the plan is in the best interests of creditors and is feasible. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect the Registered Owners by reducing or eliminating the interest rate or the principal amount, modifying or abrogating collateral or security arrangements, substituting (in whole or in

part) other securities, and otherwise compromising and modifying the rights and remedies of such Registered Owners' claim against the District. See “INVESTMENT CONSIDERATIONS.”

The District may not be placed into bankruptcy involuntarily.

Use and Distribution of Bond Proceeds

Proceeds of the sale of the Bonds will be used by the District to (i) finance the District’s cost of wastewater treatment plant 2024 improvements, lift station no. 1 improvements, reclaim water improvements and a preliminary engineering report for wastewater treatment plant improvements; (ii) pay for engineering and technical services relating to such items; (iii) capitalize the sum of \$554,000 and deposit such sum in the Debt Service Fund; and (iv) pay costs of issuance of the Bonds.

Construction Costs

District’s Share

A. Developer Contribution Items

None

B. District Items

1. Wastewater Treatment Plant 2024 Improvements	\$ 3,597,000
2. Lift Station No. 1 Improvements	1,410,000
3. Reclaim Water Improvements	1,700,000
4. Contingencies	1,342,000
5. Engineering / Technical Services	1,385,000
6. Preliminary Engineering Report	<u>180,000</u>
– Wastewater Treatment Plant Improvements	
Total District Items	\$9,614,000
TOTAL CONSTRUCTION COSTS	\$9,614,000

Non-Construction Costs

1. Legal Fees	\$ 221,600
2. Fiscal Agent Fees	221,600
3. Capitalized Interest (a)	554,000
4. Bond Discount	332,400
5. Bond Issuance Costs	49,200
6. Bond Report Cost	50,000
7. Attorney General Fee	9,500

8.	TCEQ Bond Issuance Fee	27,700
9.	Contingency (b)	<u>0</u>
	TOTAL NON-CONSTRUCTION COSTS	<u>\$1,466,000</u>
	TOTAL BOND ISSUE REQUIREMENT	\$11,080,000

- (a) The District will capitalize the amount of \$554,000 from the proceeds of the sale of the Bonds and deposit such sum in the Debt Service Fund upon the delivery of the Bonds.
- (b) The TCEQ directed that any surplus funds resulting from the sale of bonds at a lower interest rate than proposed shall be shown as a contingency line item. The use of these funds is subject to the TCEQ rules.

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and not of the State of Texas, Fort Bend County, Texas, the City of Houston, or any political subdivision other than the District, will be secured by an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located 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 located 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: A substantial proportion of the assessed valuation of the property located within the District is attributable to the current market value of single-family residences, apartments and commercial improvements that have been constructed within the District. The assessed value of such single-family residences, apartments and commercial improvements that have been constructed within the District is related to general economic conditions affecting the demand for such improvements. The assessed value of single-family residences, apartments and commercial improvements of this type can be significantly affected by factors such as interest rates, credit availability, construction costs, energy costs and availability, and the prosperity and demographic characteristics of the urban center toward which the marketing of lots, homes, apartments, and commercial enterprises is directed. A fluctuation in the price of oil could adversely affect the demand for housing, the values of existing homes and the demand for the commercial activity in the District (see “Potential Effects of Oil Price Fluctuation on the Houston Area” below). Recent changes in federal tax law limiting deductions for ad valorem taxes may adversely affect the demand for housing and the prices thereof. Were the District to experience a significant number of residential foreclosures, the value of all homes within the District could be adversely affected. Although development and home construction has occurred to date as is described in this Official Statement under the caption “DEVELOPMENT OF THE DISTRICT,” the District cannot predict the pace or magnitude of any future development or construction of taxable improvements in the District other than that which has been undertaken to date. Moreover, the District cannot predict the level of occupancy of the aforementioned commercial improvements or apartment complexes.

National Economy: The housing and building industry has historically been a cyclical industry, affected by both short- and long-term interest rates, availability of mortgage and development funds, employment levels and general economic conditions. Although development and home construction has occurred to date as described in this Official Statement under the caption “DEVELOPMENT OF THE DISTRICT,” District cannot predict the pace or magnitude of any future development or construction of taxable improvements in the District other than that which has been undertaken to date. Moreover, the District cannot predict the level of occupancy of the aforementioned commercial improvements or apartment complexes. The District cannot predict what impact, if any, a downturn in the local housing markets or in national housing and financial

markets may have on the Houston market generally and the District specifically, or the maintenance of assessed values in the District.

Credit Markets and Liquidity in the Financial Markets: Interest rates and the availability of mortgage and development funding have a direct impact on the construction of future taxable improvements, particularly short-term interest rates at which the construction of future taxable improvements within the District might be financed. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, because the District is located approximately 25 miles southwest of the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston and further decline in real estate and financial markets in the United States could adversely affect construction plans in the District and restrain the growth of the District's property tax base.

Maximum Impact on District Tax Rates: Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2023 Assessed Valuation of property located within the District (see "TAX DATA") is \$606,451,158. After issuance of the Bonds, the Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (hereinafter defined) will be \$3,310,988 (2037) and the Average Annual Debt Service Requirements will be \$3,101,669 (2025 through 2037, inclusive). Assuming no increase to nor decrease from the 2023 Assessed Valuation, the issuance of no bonds by the District in addition to the Prior Bonds, no use of District funds on hand other than tax receipts, tax rates of \$0.58 and \$0.54 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively, on the Bonds and the Outstanding Bonds. The District's 2024 Assessed Valuation is \$671,063,792. Assuming no increase to nor decrease from the 2024 Assessed Valuation, the issuance of no bonds by the District in addition to the Prior Bonds, no use of District funds on hand other than tax receipts, tax rates of \$0.52 and \$0.49 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively.

The District has levied a debt service tax of \$0.385 per \$100 of Assessed Valuation, plus a maintenance tax of \$0.205 per \$100 of Assessed Valuation for 2024. The 2024 debt service tax rate will not be sufficient to pay the Average Annual and the Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds, assuming taxable values in the District at the level of the 2024 Assessed Valuation, a tax collection rate of 95%, the issuance of no bonds by the District in addition to the Bonds and the Outstanding Bonds, and no use of District funds on hand other than tax receipts. However, as is illustrated in this Official Statement under the caption "TAX DATA - Historical Values and Tax Collection History," the District had collected an average of 99.84% of its tax levies for the period 2013 through 2022, as of July 31, 2024, and its 2023 levy, which is in the process of collection, was 98.86% collected as of such date. Moreover, the District's Debt Service Fund balance is expected to be \$2,864,226 as of the date of delivery of the Bonds. Although neither Texas law nor the Bond Order requires that any specific amount be retained in either Debt Service Fund at any time, the District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds. See "APPENDIX B - INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS." Therefore, the District expects to be able to pay debt service on the Outstanding Bonds and the Bonds without increasing its debt service tax above the debt service tax rate which the District has levied for 2024 - \$0.385 per \$100 of Assessed Valuation. However, 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 aforementioned tax rate or to justify continued payment of taxes by property owners. See "TAX DATA - Tax Rate Calculations." Increases in the District's total tax rate to higher levels than the \$0.385 per \$100 of Assessed Valuation rate which the District has levied for 2024 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 located within the District to pay, ad valorem taxes levied by the District. In addition, the collection by the District of delinquent taxes owed to it and the enforcement by a Registered Owner of the District's obligations to collect sufficient taxes may be a costly and lengthy process. See "THE BONDS - Issuance of Additional Debt" and "INVESTMENT CONSIDERATIONS- Future Debt" below.

As is enumerated in this Official Statement under the caption “TAX DATA - Estimated Overlapping Taxes,” the aggregate of the 2023 tax levies of all units of government which levy taxes against the property located within the District plus the District’s 2024 tax rate was \$2.0181 per \$100 of Assessed Valuation. To the extent that such composite tax rates are not competitive with competing developments, the growth of property tax values in the District and the investment quality or security of the Bonds could be adversely affected. Increases in the District’s tax rate to substantially higher levels than the total rate of \$0.59 per \$100 of Assessed Valuation which the District has levied in 2024 or the aforementioned composite rate of \$2.0181 per \$100 of Assessed Valuation may have an adverse impact upon future development of the District, the construction of future above-ground commercial or other improvements within the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay, ad valorem taxes levied by the District. In addition, the collection by the District of delinquent taxes owed to it and the enforcement by a Registered Owner of the District’s obligations to collect sufficient taxes may be a costly and lengthy process

One must consider the total tax burden of all overlapping jurisdictions imposed upon property located within the District as contrasted with property located in comparable real estate developments to gauge the relative tax burden on property within the District. The tax rate necessary to service the debt issued or to be issued by the District, and the tax rates levied by other overlapping jurisdictions, are subject to numerous uncertainties and variables, and thus the District can give no assurance that the composite tax rates imposed by overlapping jurisdictions, plus the District’s tax rate, will be competitive with the tax rates of competing projects. See “THE BONDS - Registered Owners’ Remedies,” “TAX DATA - Estimated Overlapping Taxes,” and “TAXING PROCEDURES.”

Tax Collection Limitations

The District’s ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other 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 two years of foreclosure for residential homestead and agricultural use property and within six (6) months of foreclosure for other property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding.

Registered Owners’ Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on 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 Order does not provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government’s sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. Even if 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 the 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 may be further 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, a suit seeking the remedy of mandamus 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 Underwriter 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 spread of other bonds generally bought, sold or traded in the secondary market. See “SALE AND DISTRIBUTION OF THE BONDS.”

Future Debt

The District has the right to issue the remaining \$5,920,278.05 for waterworks, sanitary sewer, and drainage facilities or for refunding purposes (see “THE BONDS - Issuance of Additional Debt”), and such additional bonds as may hereafter be approved by both the Board and voters of the District. The District also has the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Order. All of the remaining \$5,920,278.05 for waterworks, sanitary sewer, and drainage facilities or for refunding purposes which have heretofore been authorized by the voters of the District may be issued by the District from time to time as needed. The issuance of such \$5,920,278.05 in bonds for waterworks, wastewater and drainage facilities is also subject to TCEQ authorization.

The District's Engineer estimates that the aforementioned \$5,920,278.05 authorized bonds which remain unissued will be adequate to finance the construction of all water, wastewater and drainage facilities to provide service to all of the currently undeveloped portions of the District. 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 District expects to finance the District's cost of construction of additional improvements to the System with the sale of additional bonds, if any, in the future. See “THE BONDS - Issuance of Additional Debt,” “THE SYSTEM.”

Continuing Compliance with Certain Covenants

The Bond Order contains covenants by the District intended to preserve the exclusion from gross income of interest on the Bonds. Failure of 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 - Opinion.”

Environmental and Air Quality Regulations

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

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

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

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

While the EPA has revoked the 1997 Ozone Standards, the EPA historically has not formally redesignated nonattainment areas for a revoked standard. As a result, the HGB Area remained subject to continuing severe nonattainment area “anti-backsliding” requirements, despite the fact that HGB Area air quality has been attaining the 1997 Ozone Standards since 2014. In late 2015, the EPA approved the TCEQ’s “redesignation substitute” for the HGB Area under the revoked 1997 Ozone Standards, leaving the HGB Area subject only to the nonattainment area requirements under the 2008 Ozone Standard (and later, the 2015 Ozone Standard).

In February 2018, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion in *South Coast Air Quality Management District v. EPA*, 882 F.3d 1138 (D.C. Cir. 2018) vacating the EPA redesignation substitute rule that provided the basis for the EPA’s decision to eliminate the anti-backsliding requirements that had applied in the HGB Area under the 1997 Ozone Standard. The court has not responded to the EPA’s April 2018 request for rehearing of the case. To address the uncertainty created by the *South Coast* court’s ruling, the TCEQ developed a formal request that the HGB Area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners adopted the request and maintenance plan for the 1997 one-hour and eight-hour standards on December 12, 2018. On May 16, 2019, the EPA proposed a determination that the HGB Area has met the redesignation criteria and continues to attain the 1997 one-hour and eight-hour standards, the termination of the anti-backsliding obligations, and approval of the proposed maintenance plan.

The HGB Area is currently designated as a “serious” nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2021. If the EPA ultimately determines that the HGB Area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

The HGB Area is currently designated as a “marginal” nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2021. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

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

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

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

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and the EPA’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency’s rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future. 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), with an effective date of June 24, 2024, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain nonstormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district’s ability to obtain and maintain compliance with TPDES permits.

The District is subject to the TCEQ’s General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”), which was renewed by the TCEQ on December 11, 2013. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The renewed MS4 Permit contains more stringent requirements than the standards contained in the previous MS4 Permit. The District has submitted all necessary documentation to the TCEQ for MS4 Permit compliance. In order to maintain its current compliance with the TCEQ under the MS4 Permit, the District continues to develop and implement the required plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Unknown future costs associated with these compliance activities may be significant in the future.

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

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

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

Changes in Tax Legislation

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

Tropical Weather Events

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

The greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e. "500 year flood" events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. According to the District's Operator, the District's System did not sustain any material damage and there was no interruption of water and sewer service from Hurricane Harvey. Further, according to the District's Operator and Engineer, after investigation, although the District experienced street flooding, there was no apparent material wind or water damage to homes or commercial improvements within the District.

If a future weather event significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase in the District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected.

Specific Flood Type Risks

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.

Potential Effects of Oil Price Fluctuation on the Houston Area

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

THE DISTRICT

Authority

Fort Bend County Municipal Utility District No. 118 was created by the Texas Natural Resource Conservation Commission, predecessor to the TCEQ, on August 28, 1998, and operates pursuant to Chapters 49 and 54 of the Texas Water Code. The District contains approximately 620.4 acres of land.

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.

Under certain limited circumstances, and with the approval of the TCEQ, the District also is authorized to construct, develop and maintain park and recreational facilities and to construct roads. In addition, the District is authorized 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. Future recreational facilities may be paid for by the issuance of bonds and the levy of ad valorem taxes in payment thereof. See “THE BONDS - Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS - Future Debt.”

The TCEQ exercises continuing supervisory jurisdiction over the District. In order to obtain the consent of the City of Houston, within whose extraterritorial jurisdiction the District lies, the District has agreed to observe certain City of Houston requirements. These requirements limit the purposes for which the District may sell bonds to the acquisition and improvement of waterworks, wastewater, and drainage facilities; limit the net effective interest rate on such bonds and other terms of such bonds; and require approval by the City of Houston of the District's construction plans and specifications.

Description

The District is located entirely within Fort Bend County, Texas, and lies approximately 25 miles southwest of the central business district of the City of Houston, Texas. The District is located entirely within the extraterritorial jurisdiction of the City of Houston and within the Fort Bend Independent School District. The District is located approximately 4.5 miles northwest of the intersection of U.S. Highway 90A and State Highway 99. The District is generally bordered by Oyster Creek on the south, Farmer Road on the west, and West Bellfort Road on the north. The Grand Parkway traverses the District in an east-west direction. See “AERIAL PHOTOGRAPH OF THE DISTRICT” and “APPENDIX A - LOCATION MAP.”

Management of the District

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

The current members and officers of the Board, along with their respective terms of office, are listed below:

<u>Name</u>	<u>Position</u>	<u>Term Expires</u> <u>May</u>
Jaime Benoliel	President	2026
Alex Reid Garrett	Vice President	2028
Nicole Roberts	Secretary	2026
Ernest Blumenthal	Assistant Secretary	2028
Dennis Rooney	Assistant Secretary	2028

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 has engaged Bob Leared Interests as the District's Tax Assessor/Collector. According to Bob Leared Interests, it presently serves approximately 150 taxing units as tax assessor/collector. The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Fort Bend County Appraisal District and bills and collects such levy.

Bookkeeper

The District's bookkeeper is Myrtle Cruz, Inc. Such firm acts as bookkeeper for approximately 350 utility districts.

Auditor

As required by the Texas Water Code, the District retained Forvis Mazars, LLP, Certified Public Accountants, to audit the District's financial statements annually. A copy of the District's audit for the fiscal year ended December 31, 2023, is included as "APPENDIX B" to this Official Statement.

Engineer

The consulting engineer for the District in connection with the design of the facilities being acquired with the proceeds of the sale of the Bonds is A&S Engineers, Inc. (the "Engineer"), Houston, Texas.

Attorney

The District has engaged Smith, Murdaugh, Little & Bonham, L.L.P., Houston, Texas as general counsel to the District and as bond counsel ("Bond Counsel") in connection with the issuance of the Bonds. See "LEGAL MATTERS."

Disclosure Counsel

McCall, Parkhurst & Horton L.L.P., Houston, Texas, serves as Disclosure Counsel to the District. The fee to be paid Disclosure Counsel for services rendered in connection with the issuance of the Bonds is contingent on the issuance, sale and delivery of the Bonds.

Financial Advisor

The District has engaged Rathmann & Associates, L.P., as financial advisor (the “Financial Advisor”) to the District. The fees paid the Financial Advisor for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued and sold. Therefore, the payment of such fees is contingent upon the sale and delivery of the Bonds. Rathmann & Associates, L.P. is an independent municipal advisor registered with the United States Securities and Exchange Commission (the “SEC”) and the Municipal Securities Rulemaking Board (the “MSRB”). Rathmann & Associates, L.P.’s SEC registration number is 867-00217 and its MSRB registration number is K0161. Rathmann & Associates, L.P.’s SEC registration Forms MA and MA-1’s, which constitute Rathmann & Associates, L.P.’s registration filings, may be accessed through <http://www.sec.gov/edgar/searchedgar/company search.html>.

DEVELOPMENT OF THE DISTRICT

Land within the District has been developed primarily for single- family residential usage. As of September 1, 2024, the District contained a total of 1,308 fully developed single-family residential lots, on all of which lots single-family residences have been constructed and sold to home purchasers. The 1,308 fully developed single-family residential lots and homes (approximately 445.5 total acres) are located in Waterside Estates, Sections 1 through 13 and Waterside Village, Sections 1 through 3. All of such lots have been provided water supply and distribution, wastewater collection and treatment and storm drainage facilities (the “System”) and street paving. In addition, approximately 42.9 acres located within the District have been developed for commercial purposes with the provision of components of the System and street paving to the perimeter of such land. Commercial above-ground improvements that have been completed thereon totaling approximately 485,281 square feet of building area, which includes a Kroger grocery store, banks, auto repair shops, children’s day care centers, a drug store, a fast food restaurant, retail shopping centers and an emergency care center. In addition, the 230-unit Grand Mason at Waterside Apartments have been constructed on approximately 8.92 acres located within the District and the 246-unit Waterside at Mason Apartments have been constructed on approximately 6.6 acres located within the District. An aggregate of approximately 5.20 additional acres of currently undeveloped land located within the District is owned by multiple parties, none of which has reported any definitive development plan to the District covering any of such acres. Since none of such parties is under any obligation to the District to develop any of such land, the District cannot predict whether or when any of such currently undeveloped property will be developed. The Waterside Recreation Center has been constructed on an approximately 6.0 acre tract of land within the District. A church has been constructed on an approximately 6.0 acre tract located within the District. Approximately 12.2 acres of land located within the District are owned by the Fort Bend Independent School District. The remaining land located in the District consists of street and drainage rights-of- way, District plant sites and other parcels that are not available for future development. See “FUTURE DEVELOPMENT.”

The District financed its cost of a water plant, the installation of an interim wastewater treatment plant, a storm water detention facility, outfall drainage channel, wastewater Lift Station No. 1 and land associated therewith; wastewater force mains, a wastewater treatment plant access road bridge, components of the System to serve Waterside Estates, Sections 1 through 13 and Waterside Village, Sections 1 through 3, Mason Road Extension, Lift Station No. 2, pipeline adjustments, a 750,000 gallons-per-day wastewater treatment plant, water plant improvements, erosion control at the District’s detention pond, a reclaimed water system for irrigation use within the District and a second emergency interconnect with Fort Bend County Municipal Utility District Nos. 143, 146 and 194 and recreational facilities to serve the District with the proceeds of the sale of the Prior Bonds. The District is financing its cost of wastewater treatment plant 2024 improvements, lift station no. 1 improvements, reclaim water improvements and a preliminary engineering report for wastewater treatment plant improvements with the proceeds of the sale of the Bonds. The District expects to finance the District’s cost of construction of additional improvements to the System with the sale of additional bonds, if any, in the future. See “INVESTMENT CONSIDERATIONS - Future Debt,” “THE BONDS - Issuance of Additional Debt,” and “THE SYSTEM – Description.”

The following table reflects the status of the residential development within the District as of September 1, 2024:

Residential Units

<u>Subdivision</u>	<u>Lots</u>				<u>Homes</u>				<u>Totals</u>
	<u>Fully Developed</u>	<u>Acres</u>	<u>Under Development</u>	<u>Acres</u>	<u>Under Construction</u>		<u>Completed</u>		
					<u>Sold</u>	<u>Unsold</u>	<u>Sold</u>	<u>Unsold</u>	
Waterside Estates									
Section 1	65	31.6			0	0	65	0	65
Section 2	45	21.2			0	0	45	0	45
Section 3	84	34.4			0	0	84	0	84
Section 4	34	22.6			0	0	34	0	34
Section 5	54	21.7			0	0	54	0	54
Section 6	102	35.6			0	0	102	0	102
Section 7	67	29.2			0	0	67	0	67
Section 8	54	21.0			0	0	54	0	54
Section 9	156	46.5			0	0	156	0	156
Section 10	94	33.9			0	0	94	0	94
Section 11	111	28.5			0	0	111	0	111
Section 12	44	14.6			0	0	44	0	44
Section 13	60	15.9			0	0	60	0	60
Waterside Village									
Section 1	135	36.7			0	0	135	0	135
Section 2	157	41.1			0	0	157	0	157
Section 3	<u>46</u>	<u>11.0</u>	<u>—</u>	<u>—</u>	<u>0</u>	<u>0</u>	<u>46</u>	<u>0</u>	<u>46</u>
Totals	1,308	445.5	0	0	0	0	1,308	0	1,308

FUTURE DEVELOPMENT

Approximately 445.5 acres of land located in the District available for development have been developed into a total of 1,308 single-family residential lots, and homes have been constructed on all of such lots and have been sold to home purchasers as is described above under the caption “DEVELOPMENT OF THE DISTRICT.” In addition, approximately 42.9 acres located within the District have been developed for commercial purposes with the provision of components of the System and street paving to the perimeter of such land. Commercial above-ground improvements that have been completed thereon totaling approximately 485,281 square feet of building area, which includes a Kroger grocery store, banks, auto repair shops, children’s day care centers, a drug store, a fast food restaurant, retail shopping centers and an emergency care center. In addition, the 230-unit Grand Mason at Waterside Apartments have been constructed on approximately 8.92 acres located within the District and the 246-unit Waterside at Mason Apartments have been constructed on approximately 6.6 acres located within the District. An aggregate of approximately 5.20 additional acres of currently undeveloped land located within the District is owned by multiple parties, none of which has reported any definitive development plan to the District covering any of such acres. Since none of such parties is under any obligation to the District to develop any of such land, the District cannot predict whether or when any of such currently undeveloped property will be developed. The Waterside Recreation Center has been constructed on an approximately 6.0 acre tract of land within the District. A church has been constructed on an approximately 6.0 acre tract located within the District. Approximately 12.2 acres of land located within the District are owned by the Fort Bend Independent School District. The remaining land located in the District consists of street and drainage rights-of-way, District plant sites and other parcels that are not available for future development.

Although the aforementioned undeveloped land may be developed in the future, no owner thereof has made any specific commitment to the District that any of this acreage will be developed. The initiation of any new development beyond that described in this Official Statement will be dependent on several factors including, to a great extent, the general and other economic conditions which would affect any party's ability to develop lots and/or other property described in this Official Statement under the caption "INVESTMENT CONSIDERATIONS." If the undeveloped portion of the District is eventually developed, additions to the District's water, wastewater, and drainage systems required to service such undeveloped acreage may be financed by future issues (if any) of the District's bonds and developer contributions, if any, as required by the TCEQ. The District's Engineer estimates that the \$5,920,278.05 authorized bonds which remain unissued after the sale of the Bonds will be adequate to finance the construction of such facilities to provide service to all of the developable, undeveloped portions of the District. The District expects to finance the District's cost of construction of additional improvements to the System with the sale of additional bonds, if any, in the future. See "THE BONDS - Authority for Issuance," - "Issuance of Additional Debt," "INVESTMENT CONSIDERATIONS - Future Debt" and "THE SYSTEM - Description." No owner of any of such currently undeveloped land is under any obligation to complete any development, if begun, and any such owner may modify or discontinue development plans in its sole discretion. Accordingly, the District makes no representation that future development will occur. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.

AERIAL PHOTOGRAPH OF THE DISTRICT
(taken September 2024)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken September 2024)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken September 2024)



DISTRICT DEBT

General

The following tables and calculations relate to the Bonds and the Outstanding Bonds. After issuance of the Bonds, the aggregate principal amount of the Outstanding Bonds will be \$27,150,000 (the “Outstanding Bonds”), and the aggregate principal amount of the District's bonded indebtedness, including the Bonds, will be \$38,230,000. The District is empowered to incur debt to be paid from revenues raised by taxation against all taxable property located within the District, and various other political subdivisions of government which overlap all or a portion of the District are empowered to incur debt to be paid from revenues raised or to be raised by taxation against all or a portion of the property within the District.

2023 Assessed Valuation	\$ 606,451,158 (a)
(As of January 1, 2023)	
See “TAX DATA” and “TAXING PROCEDURES”	
2024 Assessed Valuation	\$ 671,063,792 (b)
(As of January 1, 2024)	
See “TAX DATA” and “TAXING PROCEDURES”	
Direct Debt:	
Outstanding Bonds	\$ 27,150,000
The Bonds	<u>11,080,000</u>
Total	\$ 38,230,000 (c)
Estimated Overlapping Debt	\$ <u>22,340,953</u>
Total Direct and Estimated Overlapping Debt	\$ 60,570,953
Direct Debt Ratio	
: as a percentage of 2023 Assessed Valuation	6.30 %
: as a percentage of 2024 Assessed Valuation	5.70 %
Direct and Overlapping Debt Ratio	
: as a percentage of 2023 Assessed Valuation	9.99 %
: as a percentage of 2024 Assessed Valuation	9.03 %
Debt Service Fund Balance as of Delivery of the Bonds	\$ 2,864,226 (d)
General Fund Balance as of August 13, 2024	\$ 3,982,055
2024 Tax Rate per \$100 of Assessed Valuation	
Debt Service Tax	\$ 0.385
Maintenance Tax	<u>0.205</u>
Total	\$ 0.590

(a) As of January 1, 2023, and comprises the District's 2023 tax roll. All property located in the District is valued on the tax rolls by the Fort Bend Central Appraisal District (the “Appraisal District”) at 100% of assessed value as of January 1 of each year. The District's tax roll is certified by the Fort Bend County Appraisal Review Board (the “Appraisal Review Board”). See “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments” and “TAXING PROCEDURES.”

(b) As of January 1, 2024, and comprises the District's 2024 tax roll. Such sum includes an uncertified component of \$1,507,608, 92% of which, \$1,386,999, is included in the amount of \$671,063,792. The District’s ultimate 2024

Assessed Valuation will not be determined until such uncertified values are certified by the Appraisal Review Board, and thus may vary from such sum of \$671,063,792. See “TAXING PROCEDURES.”

- (c) The District expects to finance the District’s cost of construction of additional improvements to the System with the sale of additional bonds, if any, in the future. See “THE BONDS - Issuance of Additional Debt,” “INVESTMENT CONSIDERATIONS - Future Debt” and “THE SYSTEM.”
- (d) Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Debt Service Fund. The District will capitalize the amount of \$554,000 from the proceeds of the sale of the Bonds and deposit such sum in Debt Service Fund upon the delivery of the Bonds. Such balance reflects the timely payment by the District of the entirety its debt service payments that were due for 2024 on the Outstanding Bonds, and the deposit of such capitalized interest upon delivery of the Bonds. The District’s initial debt service payment on the Bonds, consisting of an interest payment thereon, is due on March 1, 2025.

Estimated Direct and Overlapping Debt Statement

The following table indicates the direct and estimated overlapping debt of the District. The table includes the estimated amount of indebtedness of governmental entities overlapping the District, defined as outstanding bonds payable from ad valorem taxes, and the estimated percentages and amounts of such indebtedness attributable to property located within the District. This information is based upon data secured from the individual jurisdictions and/or the Texas Municipal Reports published by the Municipal Advisory Council of Texas. The calculations by which the statement was derived were made in part by comparing the reported assessed valuation of the property in the overlapping taxing jurisdictions with the Assessed Valuation of property within the District. No effect has been given to the tax burden levied by any applicable taxing jurisdiction for maintenance and operational or other purposes. 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 entities listed below may have issued additional bonds since the dates cited.

<u>Taxing Jurisdiction</u>	<u>Debt as of August 31, 2024</u>	<u>Estimated Overlapping Percent</u>	<u>Estimated Overlapping Amount</u>
Fort Bend County	\$1,141,510,455	0.5378%	\$6,138,515
Fort Bend County Drainage District	22,655,000	0.5459%	123,674
Fort Bend Independent School District	1,670,170,000	0.9627%	<u>16,078,764</u>
Total Estimated Overlapping Debt			\$22,340,953
Total Direct Debt (the Bonds and the Outstanding Bonds)			<u>38,230,000</u>
Total Direct and Estimated Overlapping Debt			\$60,570,953

Debt Ratios

	<u>% of 2023 Assessed Valuation</u>	<u>% of 2024 Assessed Valuation</u>
Direct Debt	6.30%	5.70%
Direct and Estimated Overlapping Debt	9.99%	9.03%

Debt Service Requirement Schedule

The following table sets forth the debt service requirements of the Outstanding Bonds and the principal and estimated interest requirements of the Bonds.

<u>Year</u>	<u>Outstanding Bonds</u>	<u>Plus: - The Bonds -</u>		<u>Total Debt Service Requirements</u>
		<u>Principal (Due 9/1)</u>	<u>Interest*</u>	
2024	\$2,499,750			\$2,499,750
2025	2,497,950		\$461,667	2,959,617
2026	2,504,650		554,000	3,058,650
2027	2,494,750		554,000	3,048,750
2028	2,508,450		554,000	3,062,450
2029	2,494,950		554,000	3,048,950
2030	2,541,175		554,000	3,095,175
2031	2,544,063		554,000	3,098,063
2032	2,541,050		554,000	3,095,050
2033	2,756,988		554,000	3,310,988
2034	2,440,124		554,000	2,994,124
2035	2,537,625		554,000	3,091,625
2036	2,665,750		554,000	3,219,750
2037	2,684,500		554,000	3,238,500
2038		\$1,630,000	554,000	2,184,000
2039		1,710,000	472,500	2,182,500
2040		1,795,000	387,000	2,182,000
2041		1,885,000	297,250	2,182,250
2042		1,980,000	203,000	2,183,000
2043		2,080,000	104,000	2,184,000
	<u>\$35,711,775</u>	<u>\$11,080,000</u>	<u>\$9,127,417</u>	<u>\$55,919,192</u>

Average Annual Requirements (2025-2037): \$ 3,101,669
 Maximum Annual Requirement (2033): \$ 3,310,988

See “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments - Maximum Impact on District Tax Rates” and “TAX DATA - Tax Rate Calculations.” for a discussion of the District's projected tax rates and the effect of the Bonds thereon.

* Interest is estimated at 5.00% per annum for purposes of illustration.

TAX DATA

Debt Service Tax

All taxable property within the District is subject to the assessment, levy and collection by the District of two separate annual ad valorem taxes, each without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds and the Outstanding Bonds (see "TAXING PROCEDURES"). The Board of Directors of the District has in the Bond Order 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"). The District levied a debt service tax in the amount of \$0.385 per \$100 of Assessed Valuation for 2024. See "Tax Rate Distribution" and "Tax Rate Calculations" below.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance tax is authorized by vote of the District's electors. On August 14, 1999, the Board was authorized by a vote of the District's electors to levy such maintenance tax in an unlimited amount per \$100 of Assessed Valuation. 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, the Outstanding Bonds, and any parity bonds which may be issued in the future. The District levied a maintenance tax of \$0.205 per \$100 of Assessed Valuation for 2024. See "Tax Rate Distribution" below.

Tax Rate Limitation

Debt Service: Unlimited (no legal limit as to rate or amount).
Maintenance: Unlimited (no legal limit as to rate or amount).

Exemptions

The District has adopted a \$15,000 over 65/disabled exemption for the 2024 tax year. See "TAXING PROCEDURES."

Additional Penalties

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

Historical Values and Tax Collection History

The following statement of tax collections sets forth in condensed form the historical Assessed Valuation and tax collections of the District. Such summary has been prepared for inclusion herein based upon information obtained from District records. Reference is made to such records, including the District's annual audited financial statements, for more complete information.

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate(a)</u>	<u>Adjusted Levy</u>	<u>% Collections</u>	
				<u>Current & Prior Years(b)</u>	<u>Year Ended 9/30</u>
2013	\$330,459,137	\$0.770	\$2,544,536	99.76%	2014
2014	348,290,590	0.750	2,612,183	99.89	2015
2015	379,464,576	0.700	2,656,252	99.89	2016
2016	419,644,329	0.700	2,937,510	99.90	2017
2017	443,817,839	0.680	2,612,183	99.88	2018
2018	455,400,255	0.680	2,656,252	99.84	2019
2019	455,939,936	0.680	2,937,510	99.69	2020
2020	473,313,923	0.650	3,017,961	99.81	2021
2021	492,200,209	0.630	3,076,544	99.89	2022
2022	549,266,549	0.620	3,405,453	99.83	2023
2023	606,451,158	0.605	3,669,029	98.86(c)	2024
2024	671,063,792(d)	0.590(e)	3,959,276(e)	(e)	2025

(a) Per \$100 of Assessed Valuation.

(b) Such percentages reflect cumulative total collections for each year from the time each respective annual tax was levied through July 31, 2024. The amount of tax collected for each levy on a current basis (by September 30 of the year following each respective annual levy) is not reflected in this statement.

(c) As of July 31, 2024. In process of collection.

(d) Such sum includes an uncertified component of \$1,507,608, 92% of which, \$1,386,999, is included in the amount of \$671,063,792. The District's ultimate 2024 Assessed Valuation will not be determined until such uncertified values are certified by the Appraisal Review Board, and thus may vary from such sum of \$671,063,792.

(e) The District has levied a debt service tax in the amount of \$0.385 per \$100 of Assessed Valuation, plus a maintenance tax in the amount of \$0.205 per \$100 of Assessed Valuation for 2024.

Tax Rate Distribution

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Debt Service	\$0.385	\$0.400	\$0.44	\$0.50	\$0.52
Maintenance	<u>0.205</u>	<u>0.205</u>	<u>0.18</u>	<u>0.13</u>	<u>0.13</u>
Total	\$0.590	\$0.605	\$0.62	\$0.63	\$0.65

Analysis of Tax Base

The following table illustrates the composition of property located within the District for the last five years.

<u>Type of Property</u>	<u>2024</u>		<u>2023</u>		<u>2022</u>	
	<u>Assessed Valuation</u>	<u>%</u>	<u>Assessed Valuation</u>	<u>%</u>	<u>Assessed Valuation</u>	<u>%</u>
Land	\$129,696,617	19.33%	\$99,919,625	16.48%	\$99,920,090	18.19%
Improvements	623,267,626	92.88%	592,091,642	97.63%	522,689,631	95.16%
Personal Property	14,174,999	2.11%	13,783,332	2.27%	13,609,530	2.48%
Uncertified	1,386,999	0.21%	0	0.00%	0	0.00%
Exemptions	<u>-97,462,449</u>	<u>-14.52%</u>	<u>-99,343,441</u>	<u>-16.38%</u>	<u>-86,952,702</u>	<u>-15.83%</u>
TOTAL	\$671,063,792	100.00%	\$606,451,158	100.00%	\$549,266,549	100.00%

<u>Type of Property</u>	<u>2021</u>		<u>2020</u>	
	<u>Assessed Valuation</u>	<u>%</u>	<u>Assessed Valuation</u>	<u>%</u>
Land	\$93,407,790	18.98%	\$93,455,540	19.74%
Improvements	418,965,178	85.12%	401,408,304	84.81%
Personal Property	12,504,650	2.54%	13,199,221	2.79%
Exemptions	<u>-32,677,409</u>	<u>-6.64%</u>	<u>-34,749,142</u>	<u>-7.34%</u>
TOTAL	\$492,200,209	100.00%	\$473,313,923	100.00%

Principal 2024 Taxpayers

Based upon information supplied by the District's Tax Assessor/Collector, the following table lists principal District taxpayers, type of property owned by such taxpayers, and the Assessed Valuation of such property as of January 1, 2024. The information reflects the composition of the Appraisal District's record of property ownership as of January 1, 2024.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>Assessed Valuation</u> <u>2024 Tax Roll</u>	<u>% of 2024</u> <u>Tax Roll</u>
WCW Olympus Waterside LP	Land and Improvements	\$36,464,075	6.01%
Azure Waterside LP	Land and Improvements	33,878,586	5.59%
Kroger Texas, L.P.	Land, Improvements and Personal Property	23,068,576	3.80%
PS LPT Properties Investors	Land and Improvements	15,208,399	2.51%
WSE Waterside, LLC	Land and Improvements	9,325,516	1.54%
Belt 15 Partners, Ltd.	Land and Improvements	7,728,693	1.27%
Zenda Waterside Commons US LP	Land and Improvements	6,847,612	1.13%
2237 Bissell, LLC	Land and Improvements	3,293,589	0.54%
DBMB KRK Inc.	Land, Improvements and Personal Property	3,259,488	0.54%
Baca Capital Managements	Land and Improvements	<u>2,669,546</u>	<u>0.44%</u>
		\$141,744,080	23.37%

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Assessed Valuation which would be required to meet certain debt service requirements if no growth in the District's tax base occurs beyond the 2023 Assessed Valuation or the 2024 Assessed Valuation. The calculations assume collection of 95% of taxes levied, no use of other legally available District funds on hand in addition to tax revenues and the sale of no additional bonds by the District except the Bonds and the Prior Bonds.

Average Annual Debt Service Requirements (2025-2037)	\$3,101,669
Tax Rate of \$0.54 on the 2023 Assessed Valuation (\$606,451,158) produces	\$3,111,094
Tax Rate of \$0.49 on the 2024 Assessed Valuation (\$671,063,792) produces	\$3,123,802
Maximum Annual Debt Service Requirement (2033)	\$3,310,988
Tax Rate of \$0.58 on the 2023 Assessed Valuation (\$606,451,158) produces	\$3,341,546
Tax Rate of \$0.52 on the 2024 Assessed Valuation (\$671,063,792) produces	\$3,315,055

The District has levied a debt service tax of \$0.385 per \$100 of Assessed Valuation, plus a maintenance tax of \$0.205 per \$100 of Assessed Valuation for 2024. Therefore, the 2024 debt service tax rate will not be sufficient to pay the Average Annual and the Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds, assuming taxable values in the District at the level of the 2024 Assessed Valuation, a tax collection rate of 95%, the issuance of no bonds by the District in addition to the Bonds and the Outstanding Bonds, and no use of District funds on hand other than tax receipts. However, as is illustrated in this Official Statement under the caption "TAX DATA - Historical Values and Tax Collection History," the District had collected an average of 99.84% of its tax levies for the period 2013 through 2022, as of July 31, 2024, and its 2023 levy, which is in the process of collection, was 98.86% collected as of such date. Moreover, the District's Debt Service Fund balance is expected to be \$2,864,226 as of the date of delivery of the Bonds. Although neither Texas law nor the Bond Order requires that any specific amount be retained in either Debt Service Fund at any time, the District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds. See "APPENDIX B -

INDEPENDENT AUDITOR’S REPORT AND FINANCIAL STATEMENTS.” Therefore, the District expects to be able to pay debt service on the Outstanding Bonds and the Bonds without increasing its debt service tax above the debt service tax rate which the District has levied for 2024 - \$0.385 per \$100 of Assessed Valuation. However, 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 aforementioned tax rate or to justify continued payment of taxes by property owners. See “TAX DATA - Tax Rate Calculations.” Increases in the District's total tax rate to higher levels than the \$0.59 per \$100 of Assessed Valuation rate which the District has levied for 2024 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 located within the District to pay, ad valorem taxes levied by the District. In addition, the collection by the District of delinquent taxes owed to it and the enforcement by a Registered Owner of the District's obligations to collect sufficient taxes may be a costly and lengthy process. See “THE BONDS - Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS- Future Debt” below.”

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 (see “DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement”), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below is an estimation of all taxes per \$100 of assessed valuation levied by all such jurisdictions in 2023, plus the District’s 2024 tax rate. 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.

<u>Taxing Jurisdiction</u>	<u>2023 Tax Rate Per \$100 of A.V.</u>
Fort Bend County	\$0.4265
Fort Bend County Drainage District	0.0124
Fort Bend Independent School District	0.9892
The District (a)	<u>0.5900*</u>
Total Tax Rate	\$2.0181

No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

* The District has levied a debt service tax in the amount of \$0.385 per \$100 of Assessed Valuation, plus a maintenance tax in the amount of \$0.205 per \$100 of Assessed Valuation for 2024.

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 within the District in an amount sufficient to pay the principal of and interest on the Outstanding Bonds, the Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see “INVESTMENT CONSIDERATIONS - Future Debt”) and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year to year as described more fully above under “THE BONDS - Source of Payment.” Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District and the Systems and for the payment of certain contractual obligations. See “TAX DATA - Maintenance Tax” and - “Tax Rate Distribution.”

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the “Tax Code”) specifies the taxing procedures of all political subdivisions of the of Texas, including the District. Provisions of the Tax Code are complex and are not fully summarized here. The Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Fort Bend Central Appraisal District (the “Appraisal District”) has the responsibility of appraising property for all taxing units within Fort Bend County, including the District. Such appraisal values will be subject to review and change by the Fort Bend County Appraisal Review Board (the “Appraisal Review Board”).

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; 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 travel trailers, 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 an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. For 2024, the District has adopted a \$15,000 residential homestead exemption for persons age 65 years or older or disabled persons. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans, or certain surviving dependents of disabled veterans, if requested, but only to the maximum extent of between \$5,000 and \$12,000 of taxable valuation depending on the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran’s residential homestead. Additionally, and subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran’s residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran’s exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veterans’ disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made.

Also, the surviving spouse of (i) a member of the armed forces or, (ii) a first responder as defined under Texas law, who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The District has adopted a \$15,000 over 65/disabled exemption for the 2024 tax year. See “TAX DATA - Exemptions.”

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised 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 May 1.

Freeport Goods 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 2011 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 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 personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for the tax year 2012 and subsequent years.

Tax Abatement

Fort Bend County or the City of Houston may designate all or part of the area within the District as a reinvestment zone. Thereafter, the City of Houston, Fort Bend County, 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. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

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 one hundred percent (100%) of market value, as such is defined in the Property Tax Code.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all 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. If a landowner of qualified open-space is a member of the U.S. armed forces, subject to certain conditions, the appraisal of the land as qualified open-space land does not change while the landowner is deployed or stationed outside Texas. A claimant may waive the special valuation as to taxation by some political subdivisions 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 agricultural use and taxes for the previous five (5) 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 real 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.

District and Taxpayer Remedies

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

The Tax Code 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.

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code, as amended, classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed 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 the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the District in the

preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the District in that year, subject to certain homestead exemptions.

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 the operation and maintenance tax rate that would impose 1.035 times the amount of operation and maintenance tax rate imposed by the District in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the District in that year, subject to certain homestead exemptions, plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

Developing Districts

Districts that do not meet the classification of a Special Taxing Unit or a Developed District 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 operation and maintenance 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 the operation and maintenance tax rate that would impose 1.08 times amount of operation and maintenance tax imposed by the District in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the District in that year, subject to certain homestead exemptions.

The District

A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors 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. For the 2024 tax rate year, a determination was made by the District's Board of Directors that the District is a Developing District.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a

month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, 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 tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Certain qualified taxpayers, including owners of residential homesteads, located within a natural disaster area and whose property has been damaged as a direct result of the disaster, 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.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units (see "TAX DATA - Estimated Overlapping Taxes"). 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 applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See "INVESTMENT CONSIDERATIONS - Tax Collection Limitations."

THE SYSTEM

Description

According to the Engineer, the District's water distribution, wastewater collection and storm drainage facilities (collectively, the "System") have been designed in accordance with the criteria of various regulatory agencies including the City of Houston, Fort Bend County, and the TCEQ. The construction and installation of the facilities must be made in accordance with the standards and specifications of such entities and are subject to inspection by each such entity. The total number of equivalent single-family connections ("ESFCs") currently projected for the District at the full development of its current area of approximately 620.4 acres of land is 1,878 with a total estimated population of 5,768.

The District financed its cost of a water plant, the installation of an interim wastewater treatment plant, a storm water detention facility, outfall drainage channel, wastewater Lift Station No. 1 and land associated therewith; wastewater force mains, a wastewater treatment plant access road bridge, components of the System to serve Waterside Estates, Sections 1 through 13 and Waterside Village, Sections 1 through 3, Mason Road Extension, Lift Station No. 2, pipeline adjustments, a 750,000 gallons-per-day wastewater treatment plant, water plant improvements, erosion control at the District's detention pond, a reclaimed water system for irrigation use within the District and a second emergency interconnect with Fort Bend County Municipal Utility District Nos. 143, 146 and 194 and recreational facilities to serve the District with the proceeds of the sale of the Prior Bonds. The District is financing its cost of wastewater treatment plant 2024 improvements, lift station no. 1 improvements, reclaim water improvements and a preliminary engineering report for wastewater treatment plant improvements with the proceeds of the sale of the Bonds. The District expects to finance the District's cost of construction of additional improvements to the System with the sale of additional bonds, if any, in the future. See "INVESTMENT CONSIDERATIONS - Future Debt" and "THE BONDS - Issuance of Additional Debt."

Wastewater Treatment

The District provides wastewater treatment with a facility which contains 750,000 gallons-per-day ("g.p.d.") of capacity, the construction of which the District financed with a portion of the proceeds of the sale of the Series 2005 Bonds. According to the District's Engineer, such capacity is sufficient to provide service to 2,500 ESFCs. The District is financing wastewater treatment plant 2024 improvements and lift station No. 1 improvements with a portion of the proceeds of the sale of the Bonds.

Water Supply

The District's water supply facilities include a 1,511 gallons-per-minute ("g.p.m.") well no. 1; 905 g.p.m. remote well no. 2; and 817 g.p.m. well no. 3; 5,500 g.p.m. of booster pump capacity; 30,000 gallons of hydropneumatic tank capacity; and 660,000 gallons of ground storage tank capacity. The District financed the acquisition of such water supply facilities with a portion of the proceeds of the sale of the Prior Bonds. The District's water plant has an emergency generator to assure operation in the event of a power outage. According to the District's Engineer, the aforementioned water supply facilities contain sufficient capacity to provide service to approximately 2,500 ESFCs.

Storm Drainage and 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.

Storm water drainage for the District is collected through its system of underground piping, drainage ditches and a 63.2- acre storm water detention pond that outfalls eventually into Oyster Creek. The detention pond was constructed on an existing lake known as Figure Four Lake. What remains of the original lake contains storm water detention capacity for the District's drainage system. A portion of the proceeds of the Prior Bonds was utilized to finance repairs of erosion along the detention pond and to stabilize the shoreline to prevent future erosion. According to the District's Engineer, the current Federal Emergency Management Agency Flood Hazard Boundary Map covering the land located in the District indicates that approximately 79.7 acres of undeveloped land within the District, consisting of a detention pond and drainage easements, lie within the 100-year flood plain.

The TCEQ renewed the General Permit for Small (Phase II) Municipal Separate Storm Sewer Systems (the “Small MS4 General Permit”) on June 14, 2024. The permitting process is monitored by the TCEQ and authorized by Texas Pollutant Discharge Elimination System (TPDES) under the provisions from Section 402 of the Clean Water Act and Chapter 26 of the Texas Water Code. The permit authorizes the discharge of stormwater to surface waters within the state from small municipal separate storm sewer systems (“MS4”). The renewed Small MS4 General Permit impacts some additional MS4s that were not previously subject to the Small MS4 General Permit due to the 2010 Urbanized Area data released from the US Census Bureau and contains additional requirements than the standards contained in the previous Small MS4 General Permit.

The District is subject to the reissued permit and prepared the required revised Storm Water Management Program (“SWMP”) and application in order to meet the said deadline. The TCEQ is expected to issue a decision of approval in calendar year 2024, approving the application and comprehensive SWMP. The District is currently implementing best management practices (BMPs) in accordance with the SWMP. As a result of these administrative tasks, the District could incur considerable costs to install and implement BMPs to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the reissued Small MS4 General Permit.

LEGAL MATTERS

Legal Opinions

The District will furnish the Initial Purchaser a transcript of certain certified proceedings incident to the authorization and issuance of the Bonds. Such transcript will include a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and binding obligations of the District, payable from the proceeds of an annual ad valorem tax levied without limitation as to rate or amount upon all taxable property within the District. The District also will furnish the approving legal opinion of Smith, Murdaugh, Little & Bonham, L.L.P., Houston, Texas, Bond Counsel to the District (“Bond Counsel”), to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium or other similar laws of general application affecting rights of creditors of political subdivisions such as the District. The legal opinion of Bond Counsel will further state that the Bonds, including principal of and interest thereon, are payable from ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property located within the District and that interest on the Bonds is excludable from gross income for federal income tax purposes under existing laws subject to the matters described under the caption which follows entitled “TAX MATTERS.”

Legal Review

In its capacity as Bond Counsel, Smith, Murdaugh, Little & Bonham, L.L.P., has reviewed the information appearing in this Official Statement under the captions “THE BONDS” (except for “Book Entry Only System” and “Use and Distribution of Bond Proceeds”), “THE DISTRICT - Authority,” - “Annexation and Consolidation,” and - “Attorney,” “TAXING PROCEDURES,” “LEGAL MATTERS - Legal Opinions,” “TAX MATTERS” and “CONTINUING DISCLOSURE OF INFORMATION” to determine whether such information fairly summarizes the procedures, law and documents referred to therein. Bond Counsel has not, however, independently verified any of the other factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such parties' 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 of the information contained herein. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered. Bond Counsel acts as general counsel for the District on matters other than the issuance of bonds. Certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., Houston, Texas, as Disclosure Counsel.

No-Litigation Certificate

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

No Material Adverse Change

The obligations of the Underwriter to take up 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 financial condition of the District subsequent to the date of sale from that set forth in the Preliminary Official Statement, as it may have been supplemented or amended through the date of sale. If the Underwriter elects to purchase municipal bond guaranty insurance on the Bonds, the rating of the insurer's creditworthiness by any rating agency does not and will not in any manner affect the District's financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not and will not constitute a change, material or otherwise, in the District's financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligations to take up and pay for the Bonds.

TAX MATTERS

Opinion

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

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate, and (b) covenants of the District contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

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

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

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

Federal Income Tax Accounting Treatment of Original Issue Discount and Premium Bonds

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

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

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

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. ALL OWNERS OF ORIGINAL ISSUE DISCOUNT BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE DETERMINATION FOR FEDERAL, STATE AND LOCAL INCOME TAX PURPOSES OF INTEREST ACCRUED UPON REDEMPTION, SALE OR OTHER DISPOSITION OF SUCH ORIGINAL ISSUE DISCOUNT BONDS AND WITH RESPECT TO THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP, REDEMPTION, SALE OR OTHER DISPOSITION OF SUCH ORIGINAL ISSUE DISCOUNT BONDS.

The initial public offering price to be paid for certain maturities of the Bonds may be greater than the amount payable on such Bonds at maturity (the "Premium Bonds"). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a

Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. PURCHASERS OF THE PREMIUM BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS WITH RESPECT TO THE DETERMINATION OF AMORTIZABLE BOND PREMIUM WITH RESPECT TO THE PREMIUM BONDS FOR FEDERAL INCOME TAX PURPOSES AND WITH RESPECT TO THE STATE AND LOCAL TAX CONSEQUENCES OF OWNING PREMIUM BONDS.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

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

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

Under Section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

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

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under Section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or State law and could affect the market price or marketability of the bonds. Any such proposal could limit the value of certain deduction and exclusions, including the exclusion of tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the District's records, the Engineer, the Tax Assessor/Collector and other sources believed to be reliable; however, no representation is made by the District as to the accuracy or completeness of the information contained herein, except as described below under "Certification as to Official Statement." The summaries of the statutes, resolutions, orders and engineering and other related reports set forth herein are included 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 audited financial statements for the fiscal year ended December 31, 2023, were prepared by Forvis Mazars, LLP, Certified Public Accountants, and have been included herein as "APPENDIX B." Forvis Mazars, LLP has consented to the publication of such financial information in this Official Statement.

Experts

The information contained in the Official Statement relating to engineering and to the description of the Systems, and, in particular, that engineering information included in the sections entitled "THE BONDS - Use and Distribution of Bond Proceeds," "THE DISTRICT," and "THE SYSTEM" has been provided by A&S Engineers, Inc., and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in the Official Statement 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 Bob Leared Interests and the Appraisal District. Such information has been included herein in reliance upon Bob Leared Interests'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 appraisal.

Certification as to Official Statement

The District, acting by and through its Board of Directors 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 the Official Statement, to and including the date the Underwriter are no longer required to provide an Official Statement to customers who request same pursuant to Rule 15c2-12 of the United States Securities and Exchange Commission (the “SEC”), the District learns, or is notified by the Underwriter, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriter elect to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriter; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate upon the earlier of (i) 90 days after the “end of the underwriting period” as defined in SEC Rule 15c2-12 or (ii) the date the Official Statement is filed with the MSRB (hereinafter defined), but in no case less than 25 days after the “end of the underwriting period.”

Official Statement “Deemed Final”

For purposes of compliance with SEC Rule 15c2-12, this document, as the same may be supplemented or corrected by the District from time to time, may be treated as an “official statement” with respect to the Bonds described herein “deemed final” by the District as of the date hereof (or of any such supplement or correction) except for the omission of certain information referred to in the succeeding paragraph.

The Official Statement, when further supplemented by adding 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 that term is defined in SEC Rule 15c2-12.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following agreement for the benefit of the holders and Beneficial Owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the “MSRB”) or any successor to its functions as a repository through its Electronic Municipal Market Access (“EMMA”) system.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings “SELECTED FINANCIAL INFORMATION” and “TAX DATA” and in “APPENDIX B” (Independent Auditor’s Report and Financial Statements). The District will update and provide this information within six months after the end of each fiscal year ending in or after 2024.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements, if the District's audit is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial statements within the required time, and audited financial statements when the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Order or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is December 31. Accordingly, it must provide updated information by the last day of June in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination 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 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 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 Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information

The District has agreed to provide the foregoing information only to the MSRB. Investors will be able to access, without charge from the MSRB, continuing disclosure information filed with the MSRB through its EMMA system at www.emma.msrb.org.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement from time to time to adapt the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Order 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 Underwriter from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance With Prior Undertakings

During the last five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

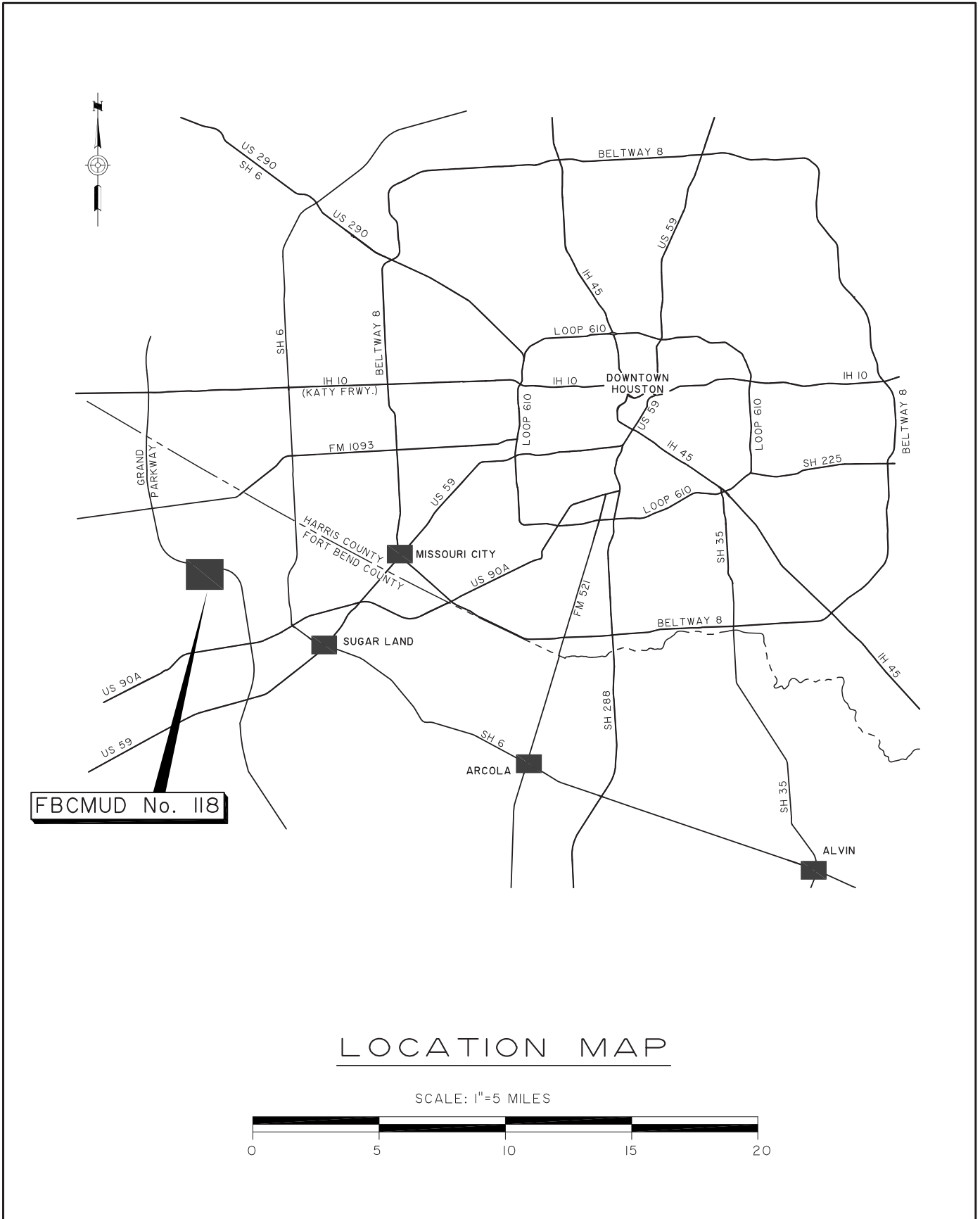
This Official Statement was approved by the Board of Directors of Fort Bend County Municipal Utility District No. 118 as of the date shown on the first page hereof.

President, Board of Directors
Fort Bend County Municipal Utility District No. 118

ATTEST:

Secretary, Board of Directors
Fort Bend County Municipal Utility District No. 118

APPENDIX A
LOCATION MAP



APPENDIX B

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 118

HARRIS COUNTY, TEXAS

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

DECEMBER 31, 2023



**Fort Bend County Municipal
Utility District No. 118
Fort Bend County, Texas**

**Independent Auditor's Report and
Financial Statements**

December 31, 2023



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Independent Auditor's Report

Board of Directors
Fort Bend County Municipal Utility District No. 118
Fort Bend County, Texas

Opinions

We have audited the financial statements of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 118 (the District), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of December 31, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not absolute assurance

and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

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 accompanying schedules required by the Texas Commission on Environmental Quality listed in the table of contents 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. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Forvis Mazars, LLP

Houston, Texas

June 21, 2024

Overview of the Financial Statements

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

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

**Fort Bend County Municipal Utility District No. 118
Management's Discussion and Analysis (Continued)
December 31, 2023**

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

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

Notes to Financial Statements

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

Financial Analysis of the District as a Whole

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

Summary of Net Position

	<u>2023</u>	<u>2022</u>
Current and other assets	\$ 11,270,610	\$ 11,297,081
Capital assets	26,227,114	26,441,238
Total assets	<u>37,497,724</u>	<u>37,738,319</u>
Deferred outflows of resources	196,283	217,457
Total assets and deferred outflows of resources	<u>\$ 37,694,007</u>	<u>\$ 37,955,776</u>
Long-term liabilities	\$ 29,096,542	\$ 30,773,336
Other liabilities	928,029	1,067,098
Total liabilities	<u>30,024,571</u>	<u>31,840,434</u>
Deferred inflows of resources	3,804,473	3,578,996
Net position:		
Net investment in capital assets	(2,901,220)	(4,170,619)
Restricted	3,197,217	3,083,070
Unrestricted	<u>3,568,966</u>	<u>3,623,895</u>
Total net position	<u>\$ 3,864,963</u>	<u>\$ 2,536,346</u>

**Fort Bend County Municipal Utility District No. 118
Management's Discussion and Analysis (Continued)
December 31, 2023**

The total net position of the District increased by \$1,328,617, or about 52%. The majority of the increase in net position is related to tax revenues intended to pay principal on the District's bonded indebtedness, which is shown as long-term liabilities in the government-wide financial statements. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Changes in Net Position

	<u>2023</u>	<u>2022</u>
Revenues:		
Property taxes	\$ 3,448,456	\$ 3,106,934
City of Houston tax rebates	182,450	186,909
Charges for services	2,886,397	2,707,140
Other revenues	<u>578,519</u>	<u>249,086</u>
Total revenues	<u>7,095,822</u>	<u>6,250,069</u>
Expenses:		
Services	4,034,970	3,638,553
Depreciation	905,165	840,251
Debt service	<u>827,070</u>	<u>866,853</u>
Total expenses	<u>5,767,205</u>	<u>5,345,657</u>
Change in net position	1,328,617	904,412
Net position, beginning of year	<u>2,536,346</u>	<u>1,631,934</u>
Net position, end of year	<u><u>\$ 3,864,963</u></u>	<u><u>\$ 2,536,346</u></u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended December 31, 2023, were \$6,690,270, a decrease of \$152,379 from the prior year.

The general fund's fund balance decreased by \$57,101, primarily due to service operation and capital outlay expenditures exceeding property tax, City of Houston tax rebates and service revenues and investment income.

The debt service fund's fund balance increased by \$66,713, primarily due to property tax revenues and investment income exceeding bond principal and interest requirements.

The capital projects fund's fund balance decreased by \$161,991, due to capital outlay expenditures exceeding investment income.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to property tax, sewer service and regional water fee revenues, investment income and repairs and maintenance, professional fees and capital outlay expenditures being greater than anticipated, as well as regional water fee expenditures being less than anticipated. In addition, purchased services and tap connections expenditures were not included in the current year budget. The fund balance as of December 31, 2023, was expected to be \$3,535,484 and the actual end-of-year fund balance was \$3,526,396.

**Fort Bend County Municipal Utility District No. 118
Management’s Discussion and Analysis (Continued)
December 31, 2023**

Capital Assets and Related Debt

Capital Assets

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

Capital Assets (Net of Accumulated Depreciation)

	<u>2023</u>	<u>2022</u>
Land and improvements	\$ 6,432,299	\$ 6,432,299
Construction in progress	1,817,684	2,653,169
Water facilities	4,221,644	4,441,706
Wastewater facilities	6,936,733	6,758,681
Drainage facilities	3,709,458	3,870,023
Parks and recreational facilities	<u>3,109,296</u>	<u>2,285,360</u>
Total capital assets	<u>\$ 26,227,114</u>	<u>\$ 26,441,238</u>

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

Construction in progress related to wastewater treatment plant improvements, water reclaim improvements and lift station No.1 improvements	\$ 122,594
Figure Four Lake landscape improvements	116,575
Figure Four Peninsula enhancement	239,660
Wastewater treatment plant basin rehabilitation	91,183
Installation of influent sampler, 25 HP motor for reclaim pump, 5 HP EcoJet aerator and lift pump No. 3	<u>121,029</u>
Total additions to capital assets	<u>\$ 691,041</u>

Debt

The changes in the debt position of the District during the fiscal year ended December 31, 2023, are summarized as follows:

Long-term debt payable, beginning of year	\$ 30,773,336
Decreases in long-term debt	<u>(1,676,794)</u>
Long-term debt payable, end of year	<u>\$ 29,096,542</u>

At December 31, 2023, the District had \$2,745,278 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District or for refunding such bonds.

The District’s bonds carry underlying ratings of “A2” from Moody’s Investors Service and “A-” from Standard & Poor’s. The Series 2017A bonds carry a “AA” rating from Standard & Poor’s and an “A1” from Moody’s Investors Service by virtue of bond insurance issued by Assured Guaranty Municipal Corp. The Series 2020 refunding bonds carry a “AA” from Standard & Poor’s by virtue of bond insurance issued by Assured Guaranty Municipal Corp. The Series 2013, 2015 refunding, 2017 refunding and 2017B bonds carry a “AA” rating from Standard & Poor’s by virtue of bond insurance issued by Build America Mutual Assurance Corp.

Other Relevant Factors

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston (the City), the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City without the District's consent, except as set forth below.

Effective December 14, 2009, the District entered into a Strategic Partnership Agreement (the Agreement) with the City, which annexed certain portions of the District into the City for "limited purposes," as defined therein. Under the terms of the Agreement, the City has agreed it will not annex the District as a whole for full purposes for 30 years, at which time the City has the option to annex the District if it chooses to do so.

Fort Bend County Municipal Utility District No. 118
Statement of Net Position and Governmental Funds Balance Sheet
December 31, 2023

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets						
Cash	\$ 487,020	\$ 883,755	\$ 4,873	\$ 1,375,648	\$ -	\$ 1,375,648
Certificates of deposit	128,060	235,207	-	363,267	-	363,267
Short-term investments	3,336,131	2,374,904	545,832	6,256,867	-	6,256,867
Receivables:						
Property taxes	917,538	1,838,281	-	2,755,819	-	2,755,819
Service accounts	322,142	-	-	322,142	-	322,142
Tax rebates	15,945	-	-	15,945	29,191	45,136
Accrued interest	2,730	4,203	-	6,933	-	6,933
Due from others	-	-	14,517	14,517	-	14,517
Accrued penalty and interest	-	-	-	-	94,997	94,997
Interfund receivables	302,455	2,750	239,660	544,865	(544,865)	-
Prepaid expenditures	35,284	-	-	35,284	-	35,284
Capital assets (net of accumulated depreciation):						
Land and improvements	-	-	-	-	6,432,299	6,432,299
Construction in progress	-	-	-	-	1,817,684	1,817,684
Infrastructure	-	-	-	-	14,867,835	14,867,835
Parks and recreation	-	-	-	-	3,109,296	3,109,296
Total assets	5,547,305	5,339,100	804,882	11,691,287	25,806,437	37,497,724
Deferred Outflows of Resources						
Deferred amount on debt refundings	-	-	-	-	196,283	196,283
Total assets and deferred outflows of resources	\$ 5,547,305	\$ 5,339,100	\$ 804,882	\$ 11,691,287	\$ 26,002,720	\$ 37,694,007

Fort Bend County Municipal Utility District No. 118
Statement of Net Position and Governmental Funds Balance Sheet (Continued)
December 31, 2023

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Liabilities						
Accounts payable	\$ 268,833	\$ 5,033	\$ 8,083	\$ 281,949	\$ -	\$ 281,949
Accrued interest payable	-	-	-	-	276,583	276,583
Retainage payable	-	-	132,777	132,777	-	132,777
Customer deposits	236,720	-	-	236,720	-	236,720
Interfund payables	242,410	302,455	-	544,865	(544,865)	-
Long-term liabilities:						
Due within one year	-	-	-	-	1,670,000	1,670,000
Due after one year	-	-	-	-	27,426,542	27,426,542
Total liabilities	<u>747,963</u>	<u>307,488</u>	<u>140,860</u>	<u>1,196,311</u>	<u>28,828,260</u>	<u>30,024,571</u>
Deferred Inflows of Resources						
Deferred property tax revenues	1,272,946	2,531,760	-	3,804,706	(87,448)	3,717,258
Deferred amount on debt refundings	-	-	-	-	87,215	87,215
Total deferred inflows of resources	<u>1,272,946</u>	<u>2,531,760</u>	<u>-</u>	<u>3,804,706</u>	<u>(233)</u>	<u>3,804,473</u>
Fund Balances/Net Position						
Fund balances:						
Nonspendable, prepaid expenditures	35,284	-	-	35,284	(35,284)	-
Restricted:						
Unlimited tax bonds	-	2,499,852	-	2,499,852	(2,499,852)	-
Water, sewer, drainage and parks	-	-	664,022	664,022	(664,022)	-
Assigned, future expenditures	56,946	-	-	56,946	(56,946)	-
Unassigned	3,434,166	-	-	3,434,166	(3,434,166)	-
Total fund balances	<u>3,526,396</u>	<u>2,499,852</u>	<u>664,022</u>	<u>6,690,270</u>	<u>(6,690,270)</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,547,305</u>	<u>\$ 5,339,100</u>	<u>\$ 804,882</u>	<u>\$ 11,691,287</u>		
Net position:						
Net investment in capital assets					(2,901,220)	(2,901,220)
Restricted for debt service					2,392,335	2,392,335
Restricted for capital projects					804,882	804,882
Unrestricted					3,568,966	3,568,966
Total net position					<u>\$ 3,864,963</u>	<u>\$ 3,864,963</u>

Fort Bend County Municipal Utility District No. 118
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances
Year Ended December 31, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 999,818	\$ 2,442,230	\$ -	\$ 3,442,048	\$ 6,408	\$ 3,448,456
City of Houston tax rebates	182,369	-	-	182,369	81	182,450
Water service	1,044,788	-	-	1,044,788	-	1,044,788
Sewer service	740,445	-	-	740,445	-	740,445
Regional water fee	1,101,164	-	-	1,101,164	-	1,101,164
Penalty and interest	49,148	26,876	-	76,024	10,901	86,925
Tap connection and inspection fees	68,708	-	-	68,708	-	68,708
Investment income	182,094	171,736	36,407	390,237	-	390,237
Other income	32,649	-	-	32,649	-	32,649
Total revenues	4,401,183	2,640,842	36,407	7,078,432	17,390	7,095,822
Expenditures/Expenses						
Service operations:						
Purchased services	558,267	-	-	558,267	-	558,267
Regional water fee	528,983	-	-	528,983	-	528,983
Professional fees	283,276	4,835	-	288,111	-	288,111
Contracted services	956,721	57,630	-	1,014,351	-	1,014,351
Utilities	235,718	-	-	235,718	-	235,718
Repairs and maintenance	1,142,837	-	-	1,142,837	-	1,142,837
Other expenditures	193,234	6,864	-	200,098	-	200,098
Tap connections	66,605	-	-	66,605	-	66,605
Capital outlay	492,643	-	198,398	691,041	(691,041)	-
Depreciation	-	-	-	-	905,165	905,165
Debt service:						
Principal retirement	-	1,630,000	-	1,630,000	(1,630,000)	-
Interest and fees	-	874,800	-	874,800	(47,730)	827,070
Total expenditures/expenses	4,458,284	2,574,129	198,398	7,230,811	(1,463,606)	5,767,205
Excess (Deficiency) of Revenues Over Expenditures	(57,101)	66,713	(161,991)	(152,379)	152,379	
Change in Net Position					1,328,617	1,328,617
Fund Balances/Net Position						
Beginning of year	3,583,497	2,433,139	826,013	6,842,649	-	2,536,346
End of year	<u>\$ 3,526,396</u>	<u>\$ 2,499,852</u>	<u>\$ 664,022</u>	<u>\$ 6,690,270</u>	<u>\$ -</u>	<u>\$ 3,864,963</u>

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

Fort Bend County Municipal Utility District No. 118 (the District) was created by an order of the Texas Natural Resource Conservation Commission, now known as the Texas Commission on Environmental Quality (the Commission), effective August 28, 1998, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities and to provide such facilities and services to the customers of the District.

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

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

The District presents the following major governmental funds:

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

Fort Bend County Municipal Utility District No. 118
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Debt Service Fund – The debt service fund is used to account for financial resources that are restricted, committed or assigned to expenditures for principal and interest related costs, as well as the financial resources being accumulated for future debt service.

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

Fund Balances – Governmental Funds

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

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

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

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

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

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

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

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

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

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

Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental funds revenues, expenditures and changes in fund balances

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

Deferred Outflows and Inflows of Resources

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

Interfund Transactions

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

Pension Costs

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

Use of Estimates

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

Investments and Investment Income

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

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

Property Taxes

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

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Any collections on the current year tax levy are deferred and recognized in the subsequent fiscal year. Current year revenues recognized are those taxes collected during the fiscal year for prior years' tax levies, plus any collections received during fiscal 2022 on the 2022 levy.

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In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended December 31, 2023, the tax levied in October 2023 is recorded as receivable and deferred inflows of resources and will be considered earned during the fiscal year ending December 31, 2024. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

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

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

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

	<u>Years</u>
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45
Drainage facilities	10-45
Parks and recreational facilities	10-25

Deferred Amount on Debt Refundings

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

Debt Issuance Costs

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

Long-Term Obligations

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

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

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Notes to Financial Statements
December 31, 2023

Net Position/Fund Balances

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

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

Reconciliation of Government-Wide and Fund Financial Statements

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 26,227,114
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	87,448
Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the funds.	94,997
Tax rebates receivable from the City of Houston (the City) are not available in the current period and are not reported in the funds.	29,191
Deferred amount on debt refundings for governmental activities are not financial resources or do not require the use of financial resources and are not reported in the funds.	109,068
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(276,583)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(29,096,542)</u>
Adjustment to fund balances to arrive at net position.	<u><u>\$ (2,825,307)</u></u>

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

Change in fund balances.	\$ (152,379)
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay expenditures in the current year.	(214,124)

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Governmental funds report principal payments on debt as expenditures. For the statements of activities, these transactions do not have any effect on net position. \$ 1,630,000

Revenues that do not provide current financial resources are not reported as revenues for the funds, but are reported as revenues in the statement of activities. 17,390

Some expenses previously reported in the statement of activities are reported as expenditures in the governmental funds. 47,730

Change in net position of governmental activities. \$ 1,328,617

Note 2. Deposits, Investments and Investment Income

Deposits

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

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

At December 31, 2023, none of the District's bank balances were exposed to custodial credit risk.

Investments

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

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

The District invests in TexPool, an external investment pool that is not registered with the Securities and Exchange Commission. The State Comptroller of Public Accounts of the State of Texas has oversight of TexPool.

At December 31, 2023, the District had the following investments and maturities:

<u>Type</u>	<u>Maturities in Years</u>				
	<u>Amortized Cost</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
TexPool	<u>\$ 6,256,867</u>	<u>\$ 6,256,867</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Fort Bend County Municipal Utility District No. 118
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December 31, 2023

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

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2023, the District's investments in TexPool were rated "AAAm" by Standard & Poor's.

Summary of Carrying Values

The carrying values of deposits and investments shown previously are included in the balance sheet at December 31, 2023, as follows:

Carrying value:		
Deposits	\$	1,738,915
Investments		<u>6,256,867</u>
Total	\$	<u><u>7,995,782</u></u>

Included in the following statement of net position captions:

Cash	\$	1,375,648
Certificates of deposit		363,267
Short-term investments		<u>6,256,867</u>
Total	\$	<u><u>7,995,782</u></u>

Investment Income

Investment income of \$390,237 for the year ended December 31, 2023, consisted of interest income.

Note 3. Capital Assets

A summary of changes in capital assets for the year ended December 31, 2023, is presented below:

<u>Governmental Activities</u>	<u>Balances, Beginning of Year</u>	<u>Additions</u>	<u>Reclassifi- cations</u>	<u>Balances, End of Year</u>
Capital assets, non-depreciable:				
Land and improvements	\$ 6,432,299	\$ -	\$ -	\$ 6,432,299
Construction in progress	<u>2,653,169</u>	<u>122,594</u>	<u>(958,079)</u>	<u>1,817,684</u>
Total capital assets, non-depreciable	<u>9,085,468</u>	<u>122,594</u>	<u>(958,079)</u>	<u>8,249,983</u>

Fort Bend County Municipal Utility District No. 118
Notes to Financial Statements
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Governmental Activities (Continued)	Balances, Beginning of Year	Additions	Reclassifi- cations	Balances, End of Year
Capital assets, depreciable:				
Water production and distribution facilities	\$ 8,769,305	\$ -	\$ -	\$ 8,769,305
Wastewater collection and treatment facilities	12,695,587	212,212	301,647	13,209,446
Drainage facilities	7,204,412	-	-	7,204,412
Parks and recreational facilities	2,747,179	356,235	656,432	3,759,846
Total capital assets, depreciable	<u>31,416,483</u>	<u>568,447</u>	<u>958,079</u>	<u>32,943,009</u>
Less accumulated depreciation:				
Water production and distribution facilities	(4,327,599)	(220,062)	-	(4,547,661)
Wastewater collection and treatment facilities	(5,936,906)	(335,807)	-	(6,272,713)
Drainage facilities	(3,334,389)	(160,565)	-	(3,494,954)
Parks and recreational facilities	(461,819)	(188,731)	-	(650,550)
Total accumulated depreciation	<u>(14,060,713)</u>	<u>(905,165)</u>	<u>-</u>	<u>(14,965,878)</u>
Total governmental activities, net	<u>\$ 26,441,238</u>	<u>\$ (214,124)</u>	<u>\$ -</u>	<u>\$ 26,227,114</u>

Note 4. Long-Term Liabilities

Changes in long-term liabilities for the year ended December 31, 2023, were as follows:

Governmental Activities	Balances, Beginning of Year	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:				
General obligation bonds	\$ 30,450,000	\$ 1,630,000	\$ 28,820,000	\$ 1,670,000
Add premiums on bonds	508,250	56,465	451,785	-
Less discounts on bonds	184,914	9,671	175,243	-
Total governmental activities long-term liabilities	<u>\$ 30,773,336</u>	<u>\$ 1,676,794</u>	<u>\$ 29,096,542</u>	<u>\$ 1,670,000</u>

Fort Bend County Municipal Utility District No. 118
Notes to Financial Statements
December 31, 2023

General Obligation Bonds

	Series 2013	Refunding Series 2015
Amounts outstanding, December 31, 2023	\$1,325,000	\$4,095,000
Interest rates	4.00%	2.00% to 4.00%
Maturity dates, serially beginning/ending	September 1, 2034	September 1, 2024/2033
Interest payment dates	March 1/ September 1	March 1/ September 1
Callable dates*	September 1, 2020	September 1, 2022
	Refunding Series 2017	Series 2017A
Amounts outstanding, December 31, 2023	\$3,605,000	\$4,000,000
Interest rates	2.00% to 4.00%	3.00% to 3.25%
Maturity dates, serially beginning/ending	September 1, 2024/2029	September 1, 2034/2037
Interest payment dates	March 1/ September 1	March 1/ September 1
Callable dates*	September 1, 2024	September 1, 2024
	Series 2017B	Refunding Series 2020
Amounts outstanding, December 31, 2023	\$4,200,000	\$11,595,000
Interest rates	3.125% to 3.250%	2.00%
Maturity dates, serially beginning/ending	September 1, 2034/2037	September 1, 2024/2032
Interest payment dates	March 1/ September 1	March 1/ September 1
Callable dates*	September 1, 2024	September 1, 2025

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

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Notes to Financial Statements
December 31, 2023

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at December 31, 2023:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,670,000	\$ 829,751	\$ 2,499,751
2025	1,715,000	782,950	2,497,950
2026	1,770,000	734,651	2,504,651
2027	1,810,000	684,750	2,494,750
2028	1,875,000	633,451	2,508,451
2029-2033	10,455,000	2,423,227	12,878,227
2034-2037	9,525,000	802,992	10,327,992
Total	<u>\$ 28,820,000</u>	<u>\$ 6,891,772</u>	<u>\$ 35,711,772</u>

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

Bonds voted for water, sewer and drainage facilities and refunding	\$ 48,000,000
Bonds sold for water, sewer and drainage facilities	42,725,000
Refunding bond authorization used	2,529,722
Bonds voted for parks and recreational facilities	4,200,000
Bonds sold for parks and recreational facilities	4,200,000

Note 5. Significant Bond Order and Commission Requirements

The Bond Orders require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended December 31, 2023, the District levied an ad valorem debt service tax at the rate of \$0.4000 per \$100 of assessed valuation, which resulted in a tax levy of \$2,457,692 on the taxable valuation of \$614,422,892 for the 2023 tax year. The interest and principal requirements to be paid from the tax revenues and existing resources are \$2,499,751.

Note 6. Maintenance Taxes

At an election held August 14, 1999, voters authorized an unlimited maintenance tax on all property within the District subject to taxation. During the year ended December 31, 2023, the District levied an ad valorem maintenance tax at the rate of \$0.2050 per \$100 of assessed valuation, which resulted in a tax levy of \$1,259,567 on the taxable valuation of \$614,422,892 for the 2023 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 7. Strategic Partnership Agreement

Effective December 14, 2009, the District and the City entered into a Strategic Partnership Agreement (the Agreement) under which the City annexed a certain tract of land within the boundaries of the District for limited purposes. The District continues to exercise all powers and functions of a municipal utility district as provided by law. As consideration for the District providing services as detailed in the Agreement, the City agrees to remit

Fort Bend County Municipal Utility District No. 118
Notes to Financial Statements
December 31, 2023

one-half of all city sales and use tax revenues generated within the boundaries of the tract. As consideration for the sales tax payments by the City, the District agrees to continue to provide and develop water, sewer and drainage services within the District in lieu of full-purpose annexation. The City agrees it will not annex the District for full purposes or commence any action to annex the District during the term of the Agreement, which is 30 years. During the current year, the District recorded \$182,450 in revenues related to the Agreement.

Note 8. Regional Water Authority

The District is within the boundaries of the North Fort Bend Water Authority (the Authority), which was created by the Texas Legislature. The Authority was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Fort Bend Subsidence District, which regulates groundwater withdrawal. As of December 31, 2023, the Authority was billing the District \$4.55 per 1,000 gallons of water pumped from its wells and \$4.90 per 1,000 gallons of surface water delivered to the District. These amounts are subject to future adjustments.

Note 9. Risk Management

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

Required Supplementary Information

Fort Bend County Municipal Utility District No. 118
Budgetary Comparison Schedule – General Fund
Year Ended December 31, 2023

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ 724,077	\$ 724,077	\$ 999,818	\$ 275,741
City of Houston tax rebates	152,000	152,000	182,369	30,369
Water service	1,072,000	1,072,000	1,044,788	(27,212)
Sewer service	615,000	615,000	740,445	125,445
Regional water fee	1,030,000	1,030,000	1,101,164	71,164
Penalty and interest	53,000	53,000	49,148	(3,852)
Tap connection and inspection fees	18,000	18,000	68,708	50,708
Investment income	5,000	5,000	182,094	177,094
Other income	-	-	32,649	32,649
	<u>3,669,077</u>	<u>3,669,077</u>	<u>4,401,183</u>	<u>732,106</u>
Expenditures				
Service operations:				
Purchased services	-	-	558,267	(558,267)
Regional water fee	1,030,000	1,030,000	528,983	501,017
Professional fees	188,500	188,500	283,276	(94,776)
Contracted services	900,505	962,490	956,721	5,769
Utilities	211,000	211,000	235,718	(24,718)
Repairs and maintenance	961,500	961,500	1,142,837	(181,337)
Other expenditures	213,600	213,600	193,234	20,366
Tap connections	-	-	66,605	(66,605)
Capital outlay	150,000	150,000	492,643	(342,643)
	<u>3,655,105</u>	<u>3,717,090</u>	<u>4,458,284</u>	<u>(741,194)</u>
Excess (Deficiency) of Revenues Over Expenditures	13,972	(48,013)	(57,101)	(9,088)
Fund Balance, Beginning of Year	<u>3,583,497</u>	<u>3,583,497</u>	<u>3,583,497</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 3,597,469</u>	<u>\$ 3,535,484</u>	<u>\$ 3,526,396</u>	<u>\$ (9,088)</u>

Budgets and Budgetary Accounting

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was amended during 2023.

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

Supplementary Information

Fort Bend County Municipal Utility District No. 118
Other Schedules Included Within This Report
December 31, 2023

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

- [X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 12-22
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedule of Long-Term Debt Service Requirements by Years
- [X] Changes in Long-Term Bonded Debt
- [X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund –
Five Years
- [X] Board Members, Key Personnel and Consultants

Fort Bend County Municipal Utility District No. 118
Schedule of Services and Rates
Year Ended December 31, 2023

1. Services provided by the District:

<input checked="" type="checkbox"/> Retail Water	<input type="checkbox"/> Wholesale Water	<input checked="" type="checkbox"/> Drainage
<input checked="" type="checkbox"/> Retail Wastewater	<input type="checkbox"/> Wholesale Wastewater	<input type="checkbox"/> Irrigation
<input checked="" type="checkbox"/> Parks/Recreation	<input type="checkbox"/> Fire Protection	<input checked="" type="checkbox"/> Security
<input checked="" type="checkbox"/> Solid Waste/Garbage	<input type="checkbox"/> Flood Control	<input type="checkbox"/> Roads
<input type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)		
<input type="checkbox"/> Other _____		

2. Retail service providers

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate Per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>
Water:	\$ 31.85	8,000	N	\$ 1.25	8,001 to 15,000
				\$ 2.00	15,001 to 20,000
				\$ 3.00	20,001 to 30,000
				\$ 3.50	30,001 to No Limit
Wastewater:	\$ 34.31 *	8,000	N	\$ 1.00	8,001 to No Limit
Regional water fee:	\$ 5.15	1	N	\$ 5.15	1,001 to No Limit
Does the District employ winter averaging for wastewater usage?					Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Total charges per 10,000 gallons usage (including fees):				Water \$ 85.85	Wastewater \$ 36.31

b. Water and wastewater retail connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC**</u>
Unmetered	-	-	x1.0	-
≤ 3/4"	275	275	x1.0	275
1"	1,054	1,050	x2.5	2,625
1 1/2"	17	17	x5.0	85
2"	41	41	x8.0	328
3"	4	4	x15.0	60
4"	3	3	x25.0	75
6"	5	5	x50.0	250
8"	4	4	x80.0	320
10"	-	-	x115.0	-
Total water	1,403	1,399		4,018
Total wastewater	1,334	1,330	x1.0	1,330

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

Gallons pumped into the system:	228,640
Gallons billed to customers:	215,558
Water accountability ratio (gallons billed/gallons pumped):	94.28%

*Includes garbage collection fee.

***"ESFC" means equivalent single-family connections

Fort Bend County Municipal Utility District No. 118
Schedule of General Fund Expenditures
Year Ended December 31, 2023

Personnel (including benefits)		\$	-
Professional Fees			
Auditing	\$ 25,500		
Legal	115,020		
Engineering	142,756		
Financial advisor	-		283,276
Purchased Services for Resale			
Bulk water and wastewater service purchases			558,267
Regional Water Fee			528,983
Contracted Services			
Bookkeeping	29,150		
General manager	-		
Appraisal district	-		
Tax collector	-		
Security	97,380		
Other contracted services	494,785		621,315
Utilities			235,718
Repairs and Maintenance			1,142,837
Administrative Expenditures			
Directors' fees	19,924		
Office supplies	41,220		
Insurance	35,961		
Other administrative expenditures	96,129		193,234
Capital Outlay			
Capitalized assets	492,643		
Expenditures not capitalized	-		492,643
Tap Connection Expenditures			66,605
Solid Waste Disposal			335,406
Lease Payments			-
Parks and Recreation			-
Other Expenditures			-
Total expenditures		\$	<u><u>4,458,284</u></u>

Fort Bend County Municipal Utility District No. 118
Schedule of Temporary Investments
December 31, 2023

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Face Amount</u>	<u>Accrued Interest Receivable</u>
General Fund				
Certificate of Deposit				
No. 626788	5.12%	02/01/24	\$ 128,060	\$ 2,730
TexPool	5.38%	Demand	<u>3,336,131</u>	<u>-</u>
			<u>3,464,191</u>	<u>2,730</u>
Debt Service Fund				
Certificate of Deposit				
No. 3300041718	5.39%	09/01/24	235,207	4,203
TexPool	5.38%	Demand	<u>2,374,904</u>	<u>-</u>
			<u>2,610,111</u>	<u>4,203</u>
Capital Projects Fund				
TexPool	5.38%	Demand	170,234	-
TexPool	5.38%	Demand	<u>375,598</u>	<u>-</u>
			<u>545,832</u>	<u>-</u>
Totals			<u><u>\$ 6,620,134</u></u>	<u><u>\$ 6,933</u></u>

Fort Bend County Municipal Utility District No. 118
Analysis of Taxes Levied and Receivable
Year Ended December 31, 2023

	Maintenance Taxes	Debt Service Taxes
Receivable, Beginning of Year	\$ 360,537	\$ 923,473
Additions and corrections to prior years' taxes	(9,334)	(25,381)
Adjusted receivable, beginning of year	<u>351,203</u>	<u>898,092</u>
2023 Original Tax Levy	1,257,573	2,453,802
Additions and corrections	1,994	3,890
Adjusted tax levy	<u>1,259,567</u>	<u>2,457,692</u>
Total to be accounted for	1,610,770	3,355,784
Tax collections: Current year	(355,408)	(693,480)
Prior years	<u>(337,824)</u>	<u>(824,023)</u>
Receivable, end of year	<u><u>\$ 917,538</u></u>	<u><u>\$ 1,838,281</u></u>
Receivable, by Years		
2023	\$ 904,159	\$ 1,764,212
2022	2,669	6,523
2021	1,000	3,845
2020	1,212	4,849
2019	1,842	7,792
2018	796	4,123
2017	582	3,017
2016	472	2,530
2015	345	2,678
2014	313	2,622
2013	595	5,134
2012	622	5,367
2011	616	5,310
2010	613	5,369
2009	649	5,925
2008	630	5,988
2007	423	2,997
Receivable, end of year	<u><u>\$ 917,538</u></u>	<u><u>\$ 1,838,281</u></u>

**Fort Bend County Municipal Utility District No. 118
 Analysis of Taxes Levied and Receivable (Continued)
 Year Ended December 31, 2023**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Property Valuations				
Land	\$ 99,919,624	\$ 99,919,390	\$ 93,406,860	\$ 93,455,540
Improvements	599,209,097	533,910,311	425,410,348	405,452,294
Personal property	13,783,332	13,638,240	12,514,870	13,296,730
Exemptions	<u>(98,489,161)</u>	<u>(85,666,161)</u>	<u>(32,321,791)</u>	<u>(34,484,405)</u>
Total property valuations	<u>\$ 614,422,892</u>	<u>\$ 561,801,780</u>	<u>\$ 499,010,287</u>	<u>\$ 477,720,159</u>
Tax Rates per \$100 Valuation				
Debt service tax rates	\$ 0.4000	\$ 0.4400	\$ 0.5000	\$ 0.5200
Maintenance tax rates*	<u>0.2050</u>	<u>0.1800</u>	<u>0.1300</u>	<u>0.1300</u>
Total tax rates per \$100 valuation	<u>\$ 0.6050</u>	<u>\$ 0.6200</u>	<u>\$ 0.6300</u>	<u>\$ 0.6500</u>
Tax Levy	<u>\$ 3,717,259</u>	<u>\$ 3,483,171</u>	<u>\$ 3,143,765</u>	<u>\$ 3,105,185</u>
Percent of Taxes Collected to Taxes Levied**	<u>28%</u>	<u>99%</u>	<u>99%</u>	<u>99%</u>

*Maximum tax rate approved by voters: Unlimited on August 14, 1999

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

Fort Bend County Municipal Utility District No. 118
Schedule of Long-Term Debt Service Requirements by Years
December 31, 2023

Due During Fiscal Years Ending December 31	Series 2013		
	Principal Due September 1	Interest Due March 1, September 1	Total
2024	\$ -	\$ 53,000	\$ 53,000
2025	-	53,000	53,000
2026	-	53,000	53,000
2027	-	53,000	53,000
2028	-	53,000	53,000
2029	-	53,000	53,000
2030	-	53,000	53,000
2031	-	53,000	53,000
2032	-	53,000	53,000
2033	-	53,000	53,000
2034	1,325,000	53,000	1,378,000
Totals	\$ 1,325,000	\$ 583,000	\$ 1,908,000

Fort Bend County Municipal Utility District No. 118
Schedule of Long-Term Debt Service Requirements by Years (Continued)
December 31, 2023

Refunding Series 2015			
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1, September 1	Total
2024	\$ 140,000	\$ 138,525	\$ 278,525
2025	145,000	132,925	277,925
2026	145,000	127,125	272,125
2027	145,000	121,325	266,325
2028	150,000	115,525	265,525
2029	150,000	109,525	259,525
2030	145,000	104,650	249,650
2031	145,000	99,938	244,938
2032	565,000	95,225	660,225
2033	2,365,000	76,862	2,441,862
Totals	<u>\$ 4,095,000</u>	<u>\$ 1,121,625</u>	<u>\$ 5,216,625</u>

Fort Bend County Municipal Utility District No. 118
Schedule of Long-Term Debt Service Requirements by Years (Continued)
December 31, 2023

Refunding Series 2017			
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1, September 1	Total
2024	\$ 530,000	\$ 144,200	\$ 674,200
2025	555,000	123,000	678,000
2026	580,000	100,800	680,800
2027	610,000	77,600	687,600
2028	650,000	53,200	703,200
2029	680,000	27,200	707,200
Totals	<u>\$ 3,605,000</u>	<u>\$ 526,000</u>	<u>\$ 4,131,000</u>

Fort Bend County Municipal Utility District No. 118
Schedule of Long-Term Debt Service Requirements by Years (Continued)
December 31, 2023

Due During Fiscal Years Ending December 31	Series 2017A		
	Principal Due September 1	Interest Due March 1, September 1	Total
2024	\$ -	\$ 127,563	\$ 127,563
2025	-	127,563	127,563
2026	-	127,563	127,563
2027	-	127,563	127,563
2028	-	127,563	127,563
2029	-	127,563	127,563
2030	-	127,563	127,563
2031	-	127,563	127,563
2032	-	127,563	127,563
2033	-	127,563	127,563
2034	400,000	127,563	527,563
2035	1,150,000	115,560	1,265,560
2036	1,200,000	79,622	1,279,622
2037	1,250,000	40,622	1,290,622
Totals	<u>\$ 4,000,000</u>	<u>\$ 1,638,997</u>	<u>\$ 5,638,997</u>

Fort Bend County Municipal Utility District No. 118
Schedule of Long-Term Debt Service Requirements by Years (Continued)
December 31, 2023

Due During Fiscal Years Ending December 31	Series 2017B		
	Principal Due September 1	Interest Due March 1, September 1	Total
2024	\$ -	\$ 134,563	\$ 134,563
2025	-	134,562	134,562
2026	-	134,563	134,563
2027	-	134,562	134,562
2028	-	134,563	134,563
2029	-	134,562	134,562
2030	-	134,563	134,563
2031	-	134,562	134,562
2032	-	134,563	134,563
2033	-	134,562	134,562
2034	400,000	134,563	534,563
2035	1,150,000	122,062	1,272,062
2036	1,300,000	86,125	1,386,125
2037	1,350,000	43,875	1,393,875
Totals	\$ 4,200,000	\$ 1,732,250	\$ 5,932,250

Fort Bend County Municipal Utility District No. 118
Schedule of Long-Term Debt Service Requirements by Years (Continued)
December 31, 2023

Due During Fiscal Years Ending December 31	Refunding Series 2020		
	Principal Due September 1	Interest Due March 1, September 1	Total
2024	\$ 1,000,000	\$ 231,900	\$ 1,231,900
2025	1,015,000	211,900	1,226,900
2026	1,045,000	191,600	1,236,600
2027	1,055,000	170,700	1,225,700
2028	1,075,000	149,600	1,224,600
2029	1,085,000	128,100	1,213,100
2030	1,870,000	106,400	1,976,400
2031	1,915,000	69,000	1,984,000
2032	1,535,000	30,700	1,565,700
Totals	\$ 11,595,000	\$ 1,289,900	\$ 12,884,900

Fort Bend County Municipal Utility District No. 118
Schedule of Long-Term Debt Service Requirements by Years (Continued)
December 31, 2023

Due During Fiscal Years Ending December 31	Annual Requirements For All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2024	\$ 1,670,000	\$ 829,751	\$ 2,499,751
2025	1,715,000	782,950	2,497,950
2026	1,770,000	734,651	2,504,651
2027	1,810,000	684,750	2,494,750
2028	1,875,000	633,451	2,508,451
2029	1,915,000	579,950	2,494,950
2030	2,015,000	526,176	2,541,176
2031	2,060,000	484,063	2,544,063
2032	2,100,000	441,051	2,541,051
2033	2,365,000	391,987	2,756,987
2034	2,125,000	315,126	2,440,126
2035	2,300,000	237,622	2,537,622
2036	2,500,000	165,747	2,665,747
2037	2,600,000	84,497	2,684,497
Totals	<u>\$ 28,820,000</u>	<u>\$ 6,891,772</u>	<u>\$ 35,711,772</u>

Fort Bend County Municipal Utility District No. 118
Changes in Long-Term Bonded Debt
Year Ended December 31, 2023

	Bond		
	Series 2013	Refunding Series 2015	Refunding Series 2017
Interest rates	4.00%	2.00% to 4.00%	2.00% to 4.00%
Dates interest payable	March 1/ September 1	March 1/ September 1	March 1/ September 1
Maturity dates	September 1, 2034	September 1, 2024/2033	September 1, 2024/2029
Bonds outstanding, beginning of current year	\$ 1,325,000	\$ 4,235,000	\$ 4,115,000
Retirements, principal	-	140,000	510,000
Bonds outstanding, end of current year	<u>\$ 1,325,000</u>	<u>\$ 4,095,000</u>	<u>\$ 3,605,000</u>
Interest paid during current year	<u>\$ 53,000</u>	<u>\$ 144,125</u>	<u>\$ 159,500</u>
Paying agent's name and address:			
Series 2013	- The Bank of New York Mellon Trust Company, N.A., Dallas, Texas		
Series 2015	- The Bank of New York Mellon Trust Company, N.A., Dallas, Texas		
Series 2017	- The Bank of New York Mellon Trust Company, N.A., Dallas, Texas		
Series 2017A	- The Bank of New York Mellon Trust Company, N.A., Dallas, Texas		
Series 2017B	- The Bank of New York Mellon Trust Company, N.A., Dallas, Texas		
Series 2020	- The Bank of New York Mellon Trust Company, N.A., Dallas, Texas		
Bond authority:			
	Tax and Refunding Bonds	Other Bonds	Refunding Bonds
Amount authorized by voters	\$ 48,000,000	\$ 4,200,000	\$ -
Authorization used	\$ 45,254,722 *	\$ 4,200,000	\$ -
Remaining to be issued	<u>\$ 2,745,278</u>	<u>\$ -</u>	<u>\$ -</u>
Debt service fund cash and temporary investment balances as of December 31, 2023:			<u>\$ 3,493,866</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:			<u>\$ 2,550,841</u>

*Includes \$2,529,722 in refunding bonds applied to the amount issued.

Issues

<u>Series 2017A</u>	<u>Series 2017B</u>	<u>Refunding Series 2020</u>	<u>Totals</u>
3.00% to 3.25%	3.125% to 3.250%	2.00%	
March 1/ September 1	March 1/ September 1	March 1/ September 1	
September 1, 2034/2037	September 1, 2034/2037	September 1, 2024/2032	
\$ 4,000,000	\$ 4,200,000	\$ 12,575,000	\$ 30,450,000
-	-	980,000	1,630,000
<u>\$ 4,000,000</u>	<u>\$ 4,200,000</u>	<u>\$ 11,595,000</u>	<u>\$ 28,820,000</u>
<u>\$ 127,563</u>	<u>\$ 134,562</u>	<u>\$ 251,500</u>	<u>\$ 870,250</u>

Fort Bend County Municipal Utility District No. 118
Comparative Schedule of Revenues and Expenditures – General Fund
Five Years Ended December 31,

	Amounts				
	2023	2022	2021	2020	2019
General Fund					
Revenues					
Property taxes	\$ 999,818	\$ 640,184	\$ 616,507	\$ 588,589	\$ 500,732
City of Houston tax rebates	182,369	186,966	174,694	155,644	155,756
Water service	1,044,788	926,236	777,284	808,631	810,791
Sewer service	740,445	707,001	674,347	692,237	687,342
Regional water fee	1,101,164	1,073,903	807,277	833,324	799,327
Penalty and interest	49,148	44,636	36,220	26,703	52,290
Tap connection and inspection fees	68,708	16,070	16,025	11,395	51,368
Investment income	182,094	57,593	1,275	15,375	67,560
Other income	32,649	43,000	30,803	34,922	2,008
Total revenues	4,401,183	3,695,589	3,134,432	3,166,820	3,127,174
Expenditures					
Service operations:					
Purchased services	558,267	633,055	647,466	702,857	484,228
Regional water fee	528,983	410,448	140,926	122,181	243,495
Professional fees	283,276	271,062	188,829	217,772	227,896
Contracted services	956,721	872,494	769,063	672,060	652,542
Utilities	235,718	163,806	200,062	205,980	208,925
Repairs and maintenance	1,142,837	1,074,521	774,183	716,520	668,669
Other expenditures	193,234	141,963	128,566	123,091	123,724
Tap connections	66,605	-	1,050	3,144	21,159
Capital outlay	492,643	301,647	-	37,742	739,932
Total expenditures	4,458,284	3,868,996	2,850,145	2,801,347	3,370,570
Excess (Deficiency) of Revenues Over Expenditures	(57,101)	(173,407)	284,287	365,473	(243,396)
Other Financing Sources (Uses)					
Interfund transfers in (out)	-	-	15,209	-	(176,791)
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(57,101)	(173,407)	299,496	365,473	(420,187)
Fund Balance, Beginning of Year	3,583,497	3,756,904	3,457,408	3,091,935	3,512,122
Fund Balance, End of Year	\$ 3,526,396	\$ 3,583,497	\$ 3,756,904	\$ 3,457,408	\$ 3,091,935
Total Active Retail Water Connections	1,399	1,397	1,398	1,396	1,395
Total Active Retail Wastewater Connections	1,330	1,330	1,331	1,329	1,330

Percent of Fund Total Revenues

<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
22.7 %	17.2 %	19.7 %	18.6 %	16.0 %
4.2	5.1	5.6	4.9	5.0
23.8	25.1	24.8	25.5	25.9
16.8	19.1	21.5	21.9	22.0
25.0	29.1	25.7	26.3	25.5
1.1	1.2	1.2	0.8	1.7
1.6	0.4	0.5	0.4	1.6
4.1	1.6	0.0	0.5	2.2
0.7	1.2	1.0	1.1	0.1
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
12.7	17.1	20.7	22.2	15.5
12.0	11.1	4.5	3.9	7.8
6.4	7.3	6.0	6.9	7.3
21.7	23.6	24.5	21.2	20.9
5.4	4.4	6.4	6.5	6.7
26.0	29.1	24.7	22.6	21.4
4.4	3.9	4.1	3.9	3.9
1.5	-	0.0	0.1	0.7
11.2	8.2	-	1.2	23.6
<u>101.3</u>	<u>104.7</u>	<u>90.9</u>	<u>88.5</u>	<u>107.8</u>
<u>(1.3) %</u>	<u>(4.7) %</u>	<u>9.1 %</u>	<u>11.5 %</u>	<u>(7.8) %</u>

**Fort Bend County Municipal Utility District No. 118
Comparative Schedule of Revenues and Expenditures – Debt Service Fund
Five Years Ended December 31,**

	Amounts				
	2023	2022	2021	2020	2019
Debt Service Fund					
Revenues					
Property taxes	\$ 2,442,230	\$ 2,462,272	\$ 2,466,613	\$ 2,490,301	\$ 2,596,963
Penalty and interest	26,876	13,938	21,204	13,320	14,084
Investment income	171,736	44,574	3,139	24,057	80,438
Other income	-	-	40	-	-
Total revenues	<u>2,640,842</u>	<u>2,520,784</u>	<u>2,490,996</u>	<u>2,527,678</u>	<u>2,691,485</u>
Expenditures					
Current:					
Professional fees	4,835	2,016	7,099	1,349	1,892
Contracted services	57,630	59,578	48,966	47,981	43,837
Other expenditures	6,864	7,428	4,632	4,325	4,855
Debt service:					
Principal retirement	1,630,000	1,585,000	1,540,000	1,390,000	1,350,000
Interest and fees	874,800	913,150	973,108	985,063	1,281,425
Debt issuance costs	-	-	-	531,781	-
Debt defeasance	-	-	-	238,000	-
Total expenditures	<u>2,574,129</u>	<u>2,567,172</u>	<u>2,573,805</u>	<u>3,198,499</u>	<u>2,682,009</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>66,713</u>	<u>(46,388)</u>	<u>(82,809)</u>	<u>(670,821)</u>	<u>9,476</u>
Other Financing Sources (Uses)					
General obligation bonds issued	-	-	-	13,650,000	-
Premium on debt issued	-	-	-	212,699	-
Deposit with escrow agent	-	-	-	(13,325,662)	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>537,037</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>66,713</u>	<u>(46,388)</u>	<u>(82,809)</u>	<u>(133,784)</u>	<u>9,476</u>
Fund Balance, Beginning of Year	<u>2,433,139</u>	<u>2,479,527</u>	<u>2,562,336</u>	<u>2,696,120</u>	<u>2,686,644</u>
Fund Balance, End of Year	<u>\$ 2,499,852</u>	<u>\$ 2,433,139</u>	<u>\$ 2,479,527</u>	<u>\$ 2,562,336</u>	<u>\$ 2,696,120</u>

Percent of Fund Total Revenues

<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
92.5 %	97.7 %	99.0 %	98.5 %	96.5 %
1.0	0.5	0.9	0.5	0.5
6.5	1.8	0.1	1.0	3.0
<u>-</u>	<u>-</u>	<u>0.0</u>	<u>-</u>	<u>-</u>
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
0.2	0.1	0.3	0.1	0.1
2.2	2.4	1.9	1.9	1.6
0.3	0.3	0.2	0.2	0.2
61.7	62.9	61.8	55.0	50.2
33.1	36.2	39.1	38.9	47.6
-	-	-	21.0	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>9.4</u>	<u>-</u>
<u>97.5</u>	<u>101.9</u>	<u>103.3</u>	<u>126.5</u>	<u>99.7</u>
<u>2.5 %</u>	<u>(1.9) %</u>	<u>(3.3) %</u>	<u>(26.5) %</u>	<u>0.3 %</u>

**Fort Bend County Municipal Utility District No. 118
Board Members, Key Personnel and Consultants
Year Ended December 31, 2023**

Complete District mailing address:	Fort Bend County Municipal Utility District No. 118 c/o Smith, Murdaugh, Little & Bonham, L.L.P. 2727 Allen Parkway, Suite 1100 Houston, Texas 77019
District business telephone number:	713.652.6500
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	January 30, 2023
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

<u>Board Members</u>	<u>Term of Office Elected & Expires</u>	<u>Fees*</u>	<u>Expense Reimbursements</u>	<u>Title at Year-End</u>
Jaime Benoliel	Elected 05/22- 05/26	\$ 3,418	\$ 1,720	President
Alex Reid Garrett	Elected 11/20- 05/24	5,873	2,914	Vice President
James Hines	Elected 11/20- 05/24	2,384	-	Secretary
Paula Blumenthal	Elected 11/20- 05/24	2,605	157	Assistant Secretary
Nicole Roberts	Elected 05/22- 05/26	5,644	3,502	Assistant Secretary

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

**Fort Bend County Municipal Utility District No. 118
Board Members, Key Personnel and Consultants (Continued)
Year Ended December 31, 2023**

Consultants	Date Hired	Fees and Expense Reimbursements	Title
A&S Engineers, Inc.	11/17/22	\$ 175,320	Engineer
Bob Leared Interests	06/28/99	34,390	Tax Assessor/ Collector
Environmental Development Partners	03/28/12	806,779	Operator
Fort Bend Central Appraisal District	Legislative Action	29,421	Appraiser
FORVIS, LLP	11/27/00	25,500	Auditor
Myrtle Cruz, Inc.	09/01/99	35,501	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	04/22/01	4,835	Delinquent Tax Attorney
Quiddity, Inc.	10/13/15	83,029	Engineer
Rathmann & Associates, L.P.	04/29/03	-	Financial Advisor
Smith, Murdaugh, Little & Bonham, L.L.P.	06/28/99	115,270	Attorney
Investment Officer			
Mary Jarmon	05/19/03	N/A	Bookkeeper

