

PRELIMINARY OFFICIAL STATEMENT DATED JULY 16, 2025

This Preliminary Official Statement is subject to completion and amendment and is intended solely for the purpose of soliciting initial bids on the Bonds. Upon the sale of the Bonds, the Official Statement will be completed and delivered to the Initial Purchaser.

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

THE BONDS WILL BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "TAX MATTERS—Qualified Tax-Exempt Obligations."

NEW ISSUE - Book-Entry-Only

Underlying Rating: S&P "AA" See "MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE" herein.

\$2,600,000

FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 2

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

UNLIMITED TAX LEVEE IMPROVEMENT BONDS, SERIES 2025

Dated: September 1, 2025

Due: April 1, as shown below

Principal of the bonds described above (the "Bonds") will be payable at stated maturity or redemption upon presentation of the Bonds at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A. (the "Paying Agent/Registrar," "Paying Agent" or "Registrar") in Houston, Texas. Interest on the Bonds accrues from the initial date of delivery (expected on or about September 24, 2025) (the "Date of Delivery"), and is payable each April 1 and October 1, commencing April 1, 2026, until maturity or prior redemption. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued only in fully registered form in \$5,000 denominations or integral multiples thereof. The Bonds are subject to redemption prior to maturity as shown below.

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 "BOOK-ENTRY-ONLY SYSTEM."

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Due (April 1)	Principal Amount (a)	Interest Rate	Initial Reoffering Yield (b)	CUSIP Number (c)	Due (April 1)	Principal Amount (a)	Interest Rate	Initial Reoffering Yield (b)	CUSIP Number (c)
2027	\$ 55,000				2039	\$ 105,000	(d)		
2028	60,000				2040	110,000	(d)		
2029	65,000				2041	115,000	(d)		
2030	65,000				2042	120,000	(d)		
2031	70,000				2043	130,000	(d)		
2032	75,000 (d)				2044	135,000	(d)		
2033	75,000 (d)				2045	140,000	(d)		
2034	80,000 (d)				2046	150,000	(d)		
2035	85,000 (d)				2047	155,000	(d)		
2036	90,000 (d)				2048	165,000	(d)		
2037	95,000 (d)				2049	175,000	(d)		
2038	100,000 (d)				2050	185,000	(d)		

- (a) The Initial Purchaser (as defined herein) may elect to designate one or more term bonds. See accompanying Official Notice of Sale and Official Bid Form.
- (b) Initial reoffering yield represents the initial offering yield to the public which has been established by the Initial Purchaser (as herein defined) for offers to the public and which may be subsequently changed by the Initial Purchaser and is the sole responsibility of the Initial Purchaser. The initial reoffering yields indicated above represent the lower of the yields resulting when priced at maturity or to the first call date.
- (c) CUSIP Numbers will be assigned to the Bonds by CUSIP Global Services and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (d) Bonds maturing on and after April 1, 2032, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on April 1, 2031, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. See "THE BONDS—Redemption Provisions."

The Bonds, when issued, will constitute valid and legally binding obligations of Fort Bend County Levee Improvement District No. 2 (the "District") and will be 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, the City of Sugar Land, or any entity other than the District. The Bonds are subject to special investment risks described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered by the Initial Purchaser subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Bond Counsel. Delivery of the Bonds is expected on or about September 24, 2025.

Bids Due: Wednesday, August 27, 2025, at 9:00 A.M., Houston Time in Houston, Texas
Bid Award: Wednesday, August 27, 2025, at 10:00 A.M, Houston Time in Sugar Land, Texas

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USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, as amended and in effect on the date hereof, this document constitutes an Official Statement with respect to the Bonds that has been “deemed final” by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

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 representation must not be relied upon as having been authorized by the District.

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.

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, 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 Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas, 77027, upon payment of duplication costs.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12, as amended.

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters 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 delivery of the Bonds to the Initial Purchaser and thereafter only as specified in “PREPARATION OF OFFICIAL STATEMENT—Updating the Official Statement.”

OFFICIAL STATEMENT SUMMARY

The following information is qualified in its entirety by the detailed information appearing elsewhere in this Official Statement.

THE FINANCING

<i>The Issuer</i>	Fort Bend County Levee Improvement District No. 2 (the “District”), a political subdivision of the State of Texas, is located in Fort Bend County, Texas. See “THE DISTRICT.”
<i>The Issue</i>	\$2,600,000 Unlimited Tax Levee Improvement Bonds, Series 2025 (the “Bonds”) are issued pursuant to an order of the Texas Commission on Environmental Quality (the “TCEQ”), a resolution (the “Bond Resolution”) of the District's Board of Directors and are authorized pursuant to the election held within the District. See “THE BONDS—Authority for Issuance.” The Bonds will be issued as fully registered bonds maturing in the years and in the amounts and paying interest at the rates shown on the cover hereof. Interest on the Bonds accrues from September 24, 2025 and is payable on April 1, 2026, and on each October 1 and April 1 thereafter until the earlier of maturity or prior redemption. The Bonds will be issued in denominations of \$5,000 or integral multiples of \$5,000. See “THE BONDS.”
<i>Book-Entry-Only System</i>	The Depository Trust Company (defined as “DTC”), New York, New York, 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 and will be deposited with DTC. See “BOOK-ENTRY-ONLY SYSTEM.”
<i>Optional Redemption</i>	The Bonds maturing on and after April 1, 2032, are subject to redemption, in whole or from time to time in part, at the option of the District, prior to their maturity dates, on April 1, 2031, or on any date thereafter. Upon redemption, the Bonds will be payable at a price of par plus accrued interest to the date of redemption. See “THE BONDS—Redemption Provisions.”
<i>Source of Payment</i>	The Bonds are payable from an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See “TAX PROCEDURES.” The Bonds are obligations of the District and are not obligations of the State of Texas, Fort Bend County, the City of Sugar Land, or any other political subdivision or agency other than the District. See “THE BONDS—Source of and Security for Payment.”
<i>Authority for Issuance</i>	The Bonds constitute the fourteenth series of unlimited tax levee improvement bonds issued by the District from \$189,720,000 of unlimited tax levee improvement bonds approved by District voters for the purposes of providing flood plain reclamation, flood protection and outfall drainage necessary for development within the District and for refunding such bonds. Following the issuance of the Bonds, \$55,375,000 of bonds will remain authorized but unissued for the purpose of financing the construction of levee and drainage facilities and for refunding bonds issued for such purposes. The Bonds, when issued, will constitute valid and binding obligations of the District, and are not obligations of the State of Texas, Fort Bend County, the City of Sugar Land, or any entity other than the District, payable from the proceeds of a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See “THE BONDS—Authority for Issuance” and “INVESTMENT CONSIDERATIONS—Future Debt.”
<i>Payment Record</i>	The District has previously issued thirteen series of unlimited tax levee improvement bonds for flood plain reclamation, flood protection, and outfall drainage, and five series of unlimited tax refunding bonds, \$77,560,000 of which remain outstanding as of July 1, 2025 (the “Outstanding Bonds”). The District has never defaulted in the payment of principal and interest on the Outstanding Bonds.
<i>Use of Proceeds</i>	Proceeds from the Bonds will be used to pay for the construction costs shown herein under “USE AND DISTRIBUTION OF BOND PROCEEDS.” In addition, Bond proceeds will also be used to pay certain costs associated with the issuance of the Bonds and certain engineering report costs. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”
<i>Qualified Tax-Exempt Obligations</i>	The Bonds will be designated as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986.

Municipal Bond Rating and

<i>Municipal Bond Insurance</i>	Application has been made to Standard & Poor’s Financial Services LLP (“S&P”) for an underlying rating on the Bonds, and S&P has assigned an underlying rating of “AA” to the Bonds. Application has also been made to various municipal bond insurance companies for qualification of the Bonds for municipal bond insurance. If qualified, such insurance will be available at the option of the Initial Purchaser at the Initial Purchaser’s expense. The rating fee of S&P will be paid for by the District; payment of any other rating fee will be the responsibility of the Initial Purchaser. See “MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE” and “INVESTMENT CONSIDERATIONS—Risk Factors on Municipal Bond Insurance.”
<i>Bond Counsel</i>	Allen Boone Humphries Robinson LLP, Houston, Texas. See “MANAGEMENT,” “LEGAL MATTERS,” and “TAX MATTERS.”
<i>Financial Advisor</i>	Masterson Advisors LLC, Houston, Texas. See “MANAGEMENT.”
<i>District Engineer</i>	LJA Engineering, Inc., Houston, Texas.
<i>Disclosure Counsel</i>	McCall, Parkhurst & Horton L.L.P., Houston, Texas.

THE DISTRICT

<i>Description</i>	The District was created by order of the Commissioners Court of Fort Bend County, Texas, passed and adopted February 10, 1975. The District is a conservation and reclamation district created pursuant to the provisions of Chapter 57, Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution. The District operates under Chapters 49 and 57 of the Texas Water Code, as amended. The District encompasses approximately 5,313 acres of land located within the city limits of the City of Sugar Land. The District is in the eastern portion of Fort Bend County approximately 25 miles from downtown Houston by way of U.S. 59 (the Southwest Freeway). The District is located entirely within the boundaries of the Fort Bend Independent School District. The District also encompasses First Colony Municipal Utility District No. 10. See “THE DISTRICT” and “AERIAL PHOTOGRAPH” herein.
<i>First Colony</i>	The District is part of the approximately 9,700-acre master planned community known as First Colony, the majority of which is located in and around the City of Sugar Land. Development of First Colony began in 1976 and since its inception it has evolved into a community that provides residential subdivisions comprised of homes with prices ranging from \$200,000 to up to \$6,000,000, along with many commercial and retail establishments. The average home value for tax year 2024 was \$521,963. First Colony currently contains approximately 13,500 occupied households.
<i>Status of Development</i>	As of June 1, 2025, development within the District includes approximately 8,300 single family homes and 841 commercial and retail establishments. Educational facilities within the District include four elementary schools, one middle school, and a high school. Recreational facilities located within the District include Sweetwater Country Club, which includes a clubhouse, 36 holes of golf, multiple tennis courts, and an athletic facility. See “DEVELOPMENT WITHIN THE DISTRICT.”

INVESTMENT CONSIDERATIONS

THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THIS ENTIRE OFFICIAL STATEMENT WITH RESPECT TO THE INVESTMENT SECURITY OF THE BONDS, INCLUDING PARTICULARLY THE SECTION CAPTIONED “INVESTMENT CONSIDERATIONS.”

SELECTED FINANCIAL INFORMATION

2024 Certified Taxable Assessed Valuation	\$6,435,724,143 (a)
2025 Taxable Assessed Valuation	\$6,575,587,833 (b)
Gross Debt Outstanding (after the issuance of the Bonds)	\$ 80,160,000
Estimated Overlapping Debt	<u>388,060,167 (c)</u>
Gross Debt and Estimated Overlapping Debt	\$468,220,167 (c)
Ratios of Gross Debt to:	
2024 Certified Taxable Assessed Valuation	1.25%
2025 Taxable Assessed Valuation	1.22%
Ratios of Gross Debt and Estimated Overlapping Debt to:	
2024 Certified Taxable Assessed Valuation	7.28%
2025 Taxable Assessed Valuation	7.12%
Debt Service Fund Balance (as of July 16, 2025)	\$3,693,644
Capital Projects Fund Balance (as of July 16, 2025)	\$810,659
General Fund Balance (as of July 16, 2025)	\$8,545,079
2024 Tax Rate:	
Debt Service	\$0.069
Maintenance and Operations	<u>0.049</u>
Total (d)	\$0.118/\$100 A.V.
Average percentage of total tax collections (2020-2024)	99.54%
Projected Maximum Annual Debt Service Requirement (2027)	
of the Outstanding Bonds and the Bonds at an assumed interest rate of 5.00%	
("Maximum Annual Requirement")	\$4,622,031 (e)
Tax rate required to pay Maximum Annual Requirement (2027) based upon:	
2024 Certified Taxable Assessed Valuation at a 95% collection rate	\$0.076/\$100 A.V. (f)
Tax rate required to pay Maximum Annual Requirement (2027) based upon:	
2025 Taxable Assessed Valuation at a 95% collection rate	\$0.074/\$100 A.V. (f)
Projected Average Annual Debt Service Requirement (2026-2050)	
of the Outstanding Bonds and the Bonds at an assumed interest rate of 5.00%	
("Average Annual Requirement")	\$4,400,827 (e)
Tax rate required to pay Average Annual Requirement (2026-2050) based upon:	
2024 Certified Taxable Assessed Valuation at a 95% collection rate	\$0.072/\$100 A.V. (f)
Tax rate required to pay Average Annual Requirement (2026-2050) based upon:	
2025 Taxable Assessed Valuation at a 95% collection rate	\$0.071/\$100 A.V. (f)
Approximate Number of Single-Family Homes as of June 1, 2025	8,300

- (a) As certified by the Fort Bend Central Appraisal District (the "Appraisal District"). See "TAX PROCEDURES."
- (b) The Appraisal District has certified \$6,534,903,012 of taxable value and an additional \$40,684,821 of taxable value remains uncertified and is subject to review and downward adjustment. The 2025 Taxable Assessed Valuation is shown throughout this OFFICIAL STATEMENT is certified value plus the uncertified value. See "TAX PROCEDURES."
- (c) See "DISTRICT DEBT—Estimated Overlapping Debt Statement."
- (d) In addition to the District's tax rate, property owners are subject to additional property taxes of other overlapping jurisdictions, including but not limited to the City of Sugar Land, Fort Bend County, Fort Bend ISD, and Fort Bend County Drainage District. See "TAX DATA—Estimated Overlapping Taxes."
- (e) See "DISTRICT DEBT—Debt Service Requirement Schedule."
- (f) See "TAX DATA—Tax Rate Calculations."

PRELIMINARY OFFICIAL STATEMENT

\$2,600,000

FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 2

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

UNLIMITED TAX LEVEE IMPROVEMENT BONDS SERIES 2025

This Official Statement provides certain information in connection with the issuance by Fort Bend County Levee Improvement District No. 2 (the “District”) of its \$2,600,000 Unlimited Tax Levee Improvement Bonds, Series 2025 (the “Bonds”).

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 57 of the Texas Water Code, as amended; Chapter 1201 et. seq. of the Texas Government Code, as amended; an election held within the District on May 4, 2019; an order of the Texas Commission on Environmental Quality (the “Commission” or “TCEQ”); a resolution (the “Bond Resolution”) adopted by the Board of Directors of the District (the “Board”); and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

This Official Statement includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Allen Boone Humphries Robinson, LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

THE BONDS

General

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 Resolution of the Board. The Bond Resolution authorizes the issuance and sale of the Bonds and prescribes the terms, conditions, and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds will be dated September 1, 2025 and interest will accrue from the Date of Delivery with interest payable on each April 1 and October 1 commencing April 1, 2026, until the earlier of maturity or prior redemption. The Bonds mature on April 1 in the amounts and years and accrue interest at the rates shown on the cover page of this Official Statement. Interest calculations are based on a 360-day year comprised of twelve 30-day months. The Bonds will be issued only in fully registered form in \$5,000 denominations or integral multiples thereof.

Authority for Issuance

At bond elections held within the District on January 15, 1977, June 10, 1978, November 6, 2007, November 5, 2013, and May 4, 2019, the voters of the District authorized the issuance of a total of \$189,720,000 principal amount of unlimited tax bonds for the purpose of providing flood plain reclamation, flood protection and outfall drainage necessary for development within the District and for refunding bonds issued for such purposes. The Bonds are being issued pursuant to such authorizations from the May 4, 2019 election. The Commission has approved the sale of the Bonds for the purposes described in “USE AND DISTRIBUTION OF BOND PROCEEDS.”

The Bonds are issued by the District pursuant to the terms and provisions of the Bond Resolution, an order of the Commission, Article XVI, Section 59 of the Texas Constitution, and Chapters 49 and 57 of the Texas Water Code, as amended, Chapter 1201 et. seq. of the Texas Government Code, as amended, and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement.

Source of and Security for Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants in the Bond Resolution to levy a continuing direct annual ad valorem tax, without legal limit as to rate or amount, upon all taxable property in the District sufficient to pay the principal of and interest on the Bonds, with full allowance being made for delinquencies and costs of collection. In the Bond Resolution, the District covenants that said taxes are irrevocably pledged to the payment of the interest on and principal of the Bonds and to no other purpose.

The Bonds are obligations of the District and are not the obligations of the State of Texas, Fort Bend County, the City of Sugar Land, or any entity other than the District.

Method of Payment of Principal and Interest

In the Bond Resolution, the Board has appointed The Bank of New York Mellon Trust Company NA, Houston, Texas as the initial Paying Agent/Registrar for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America, which, on the date of payment, is legal tender for the payment of debts due the United States of America. In the event the book-entry system is discontinued, principal on the Bonds shall be payable upon presentation and surrender of the Bonds as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Houston, Texas and interest on each Bond shall be payable by check payable on each interest payment date ("Interest Payment Date"), mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the registered owner of record (the "Registered Owner") as of the close of business on March 15 or September 15 immediately preceding each Interest Payment Date (defined herein as the "Record Date"), to the address of such Registered Owner as shown on the Paying Agent/Registrar's records (the "Register") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day, as defined in the Bond Resolution.

Funds

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

Proceeds from sale of the Bonds shall be deposited into the Capital Projects Fund, to pay the costs of acquiring or constructing District facilities and costs of issuing the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS" for a more complete description of the use of Bond proceeds.

No Arbitrage

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

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.

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on or after April 1, 2032, prior to their scheduled maturities, in whole or in part, in integral multiples of \$5,000, on April 1, 2031, or on any date thereafter, at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities of Bonds to be redeemed shall be selected by the District. If less than all the Bonds of any maturity are redeemed at any time, the particular Bonds within a maturity to be redeemed shall be selected by the Paying Agent/Registrar by lot or other customary method of selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written 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 Register. Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if fewer than all the Bonds outstanding within any one maturity are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest that would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Registration and Transfer

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Resolution. While the Bonds are in the Book-Entry-Only System, the Bonds will be registered in the name of Cede & Co. and will not be transferred. See "BOOK-ENTRY-ONLY SYSTEM."

Replacement of Paying Agent/Registrar

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

Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System is discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, stolen or destroyed, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding. Registered Owners of lost, stolen or destroyed bonds will be required to pay the District's costs to replace such bond. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

Issuance of Additional Debt

Following the issuance of the Bonds, \$55,375,000 of bonds will remain authorized but unissued for the purpose of financing the construction of levee and drainage facilities and for refunding bonds issued for such purposes. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District (if authorized by the District's voters and approved by the Board and the Commission). See "INVESTMENT CONSIDERATIONS—Future Debt."

Financing Recreational Facilities

Conservation and reclamation districts in certain counties are authorized to develop and finance with property taxes certain recreational facilities after a district election has been successfully held to approve a maintenance tax to support recreational facilities and/or the issuance of bonds payable from taxes.

The District is authorized to levy an operation and maintenance tax to support recreational facilities at a rate not to exceed 25 cents per \$100 of assessed valuation of taxable property in the District, after such tax is approved at an election. Said maintenance tax is in addition to any other maintenance tax authorized to be levied by the District. In addition, the District is authorized to issue bonds payable from an ad valorem tax to pay for the development and maintenance of recreational facilities if (i) the District duly adopts a plan for the facilities; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed 3% of the value of the taxable property in the District at the time of issuance of the bonds, or an amount greater than the estimated cost of the plan, whichever amount is smaller; (iv) the District obtains any necessary governmental consents allowing the issuance of such bonds; (v) the issuance of the bonds is approved by the Commission in accordance with its rules with respect to same; and (vi) the bonds are approved by the Attorney General of Texas. The District may issue bonds for such purposes payable solely from net operating revenues without an election.

The District has not considered developing a plan for recreational facilities or calling a bond election for such purposes but could consider doing so in the future.

Current law may be changed in a manner to increase the amount of bonds which may be issued as related to a percentage of the value of taxable property or to allow a higher or lower maintenance tax rate for such purposes. The levy of taxes for such purposes may dilute the security for the Bonds.

Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets (such as cash) and 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.

Remedies in Event of Default

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or defaults in the observance or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution does not specifically 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. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. 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. In the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by 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 to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or 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 "INVESTMENT CONSIDERATIONS—Registered Owners' Remedies and Bankruptcy Limitations."

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

The Bond Resolution 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 either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both or with a commercial bank or trust company 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 obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

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

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

BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning the Depository Trust Company ("DTC"), New York, NY and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the Registered Owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will 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 "Procedure" of DTC to be followed in dealing with DTC Direct Participants is on file with DTC.

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

DTC, the world's largest 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 3.6 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 rating of "AA+" by S&P Global Ratings. 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 affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

Principal, premium, if any, interest payments and redemption proceeds 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 Paying Agent, 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, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, interest payments and redemption proceeds 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, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. 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.

THE DISTRICT

General

The District is a conservation and reclamation district created by the Commissioners Court of Fort Bend County on February 10, 1975. The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to conservation and reclamation districts, including particularly Chapters 49 and 57, Texas Water Code, as amended. The District is subject to the continuing supervision of the Commission, which has authority over the issuance of bonds by the District.

The District is empowered, among other things, to purchase, construct, operate, and maintain all improvements and facilities necessary for providing flood plain reclamation, flood protection, detention, and outfall drainage.

Description and Location

The District encompasses approximately 5,313 acres of land. The District is located entirely within Fort Bend County, Texas, approximately 25 miles southwest of the central business district of the City of Houston, Texas, near the intersection of U.S. Highway 59 and Texas State Highway 6 and wholly within the boundaries of the Fort Bend Independent School District. The District lies entirely within the city limits of the City of Sugar Land, Texas. The District was created for the purposes of providing flood plain reclamation, flood protection and outfall drainage facilities to serve the land located within the boundaries of the District. See “AERIAL PHOTOGRAPH.”

City of Sugar Land Tax Increment Reinvestment Zone No. 1

By law, the City of Sugar Land may designate a portion of land inside its corporate limits as a Tax Increment Reinvestment Zone (a “TIRZ”). In a TIRZ, the base taxable assessed value of a TIRZ is established in the year in which the TIRZ is created. Any incremental growth in the taxable assessed value over the base value is considered the “tax increment.” When a City designates a TIRZ, each taxing jurisdiction within the TIRZ may or may not agree to contribute all or a portion of its tax collections on the tax increment (“TIRZ Revenues”) to the City for use in financing projects within the TIRZ. The City is required to develop a TIRZ project plan and limit the use of TIRZ revenues to financing those projects contained within the latest approved project plan.

On December 1, 1998, the City designated approximately 33 acres as City of Sugar Land Tax Increment Reinvestment Zone No.1 (“TIRZ No.1”), all of which lies within the boundaries of the District. The District agreed to contribute 100% of its TIRZ Revenues to the City for the life of TIRZ No.1 or twenty-six (26) years, whichever occurs earlier. The District’s participation in TIRZ No.1 had the effect of reducing the tax revenues that are available to the District to finance District facilities during the life of TIRZ No.1. For the tax year 2024, the District’s tax increment equaled \$191,764,849 and generated \$226,283 in revenues based upon the District’s 2024 tax rate of \$0.118 per \$100 of assessed valuation. After the earlier of the dissolution of TIRZ No.1 or 26 years, the District will collect and retain the tax revenue on all of the land previously located in TIRZ No.1. The District made its last TIRZ revenue payment in calendar year 2025 for the 2024 tax year. Beginning in the 2025 tax year, the District will collect and retain tax revenue for the land previously located in TIRZ No. 1.

DEVELOPMENT WITHIN THE DISTRICT

First Colony

The District is part of the approximately 9,700-acre master planned community known as First Colony, the majority of which is located in and around the City of Sugar Land. Development of First Colony began in 1976 and since its inception it has evolved into a community that provides residential subdivisions comprised of homes with prices ranging from \$200,000 to up to \$6,000,000 along with many commercial and retail establishments. The average home value for tax year 2024 was \$521,963. First Colony currently contains approximately 13,500 occupied households.

Status of Development Within the District

As of June 1, 2025, development within the District includes approximately 8,300 single-family homes and 841 commercial and retail establishments. Educational facilities within the District include four elementary schools, one middle school, and a high school. Recreational facilities located within the District include Sweetwater Country Club, which includes a 36-hole golf course, multiple tennis courts, swimming pools, and an athletic facility.

Commercial Development

Sugar Land Town Square is located at the southern corner of the intersection of U.S. Highway 59 (Southwest Freeway) and State Highway 6. It is a mixed-use development that includes the City of Sugar Land City Hall, an outdoor plaza, a hotel and conference center, luxury condominiums, Class A Office space, and retail and restaurant space. Tenants include approximately 27 restaurants and approximately 31 retail stores, including a Marriot Hotel, LOFT, Jos. A. Bank Menswear, Starbucks, P.F. Chang's China Bistro, and Perry's Steakhouse & Grille.

First Colony Mall, located at the intersection of U.S. Highway 59 (Southwest Freeway) and State Highway 6, is a one million square foot shopping mall anchored by Dillard's, Macy's, and JC Penney department stores. There are approximately 149 tenants of the shopping mall, including approximately 28 restaurants and approximately 120 retail stores and businesses.

In addition to these two large retail and restaurant developments, the District also includes The Shops at Williams Trace, Highland Square Shopping Center, Lexington Square, The Market at First Colony, Colony Square, and Sweetwater Plaza. Tenants include major national retail stores and various specialty retail shops with over one million square feet, collectively.

Fluor Corporation ("Fluor") developed an approximately 339-acre tract of land located on the northern corner of the U.S. Highway 59 (Southwest Freeway) and State Highway 6 in the Sugar Land Office Park within the corporate boundaries of the City of Sugar Land. The Fluor facilities consist of five buildings containing a total of approximately 1.3 million square feet of space.

The Sweetwater Country Club is located in the District. The main club house contains multiple dining areas, meeting space, indoor tennis courts, shops, locker rooms, and a health club. In addition, Sweetwater facilities include a 36-hole championship golf course, outdoor tennis courts, and an outdoor aquatic complex.

Health Care Facilities

Numerous health care facilities, including Houston Methodist Sugar Land Hospital, CHI St. Luke's Health – Sugar Land Hospital, Memorial Hermann Surgical Hospital First Colony, Memorial Hermann Medical Group, Texas Children's Maternal Fetal Medicine Sugar Land along with various other medical office buildings and practices are located within the boundaries of the District.

MANAGEMENT

Board of Directors

The District is governed by its Board of Directors, consisting of five directors, which has control over and management supervision of all affairs of the District. All of the Directors listed below reside within the District. The Directors serve four-year terms or until their successors are appointed, and are appointed by the Fort Bend County Commissioners Court. The current Directors and Officers of the District are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Rashid Khokhar	President	September 2027
Sam Galyon	Vice President	September 2027
Michael Siwierka	Assistant Vice President	April 2026
Jeffrey C. Wiley	Secretary	July 2028
Upendra Sahu	Assistant Secretary	July 2028

General Manager

The District contracts with Guideline Management Services, Inc. to act as the general manager of the District to oversee the operations and maintenance of the District's facilities.

Tax Assessor/Collector

Land and improvements within the District are appraised for ad valorem taxation purposes by the Fort Bend Central Appraisal District. Taxes are collected by the Fort Bend County Tax Assessor Collector.

Bookkeeper

The District has engaged McLennan and Associates, LP to serve as the District's bookkeeper.

Levee Operator

The District contracts with LID Solutions, LLC for maintenance and operation of the District's system (the “Operator”).

Engineer

The consulting engineer for the District in connection with the design and construction of the District's facilities is LJA Engineering, Inc. (the “Engineer”).

Attorney

The District engages Allen Boone Humphries Robinson LLP as general counsel and as Bond Counsel in connection with the issuance of the Bonds. 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 and, therefore, such fees are contingent on the sale and delivery of the Bonds.

Financial Advisor

Masterson Advisors LLC (the “Financial Advisor”) serves as financial advisor to the District. The fees to be 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, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds.

Disclosure Counsel

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

Auditor

The financial statements of the District as of September 30, 2024, and for the year then ended, included in this offering document have been audited by McGrath & Co., PLLC, independent auditors, as stated in their report appearing herein. See “APPENDIX A” for a copy of the audited financial statements of the District for the year ended September 30, 2024. The District has engaged McGrath & Co., PLLC, independent auditors, to audit its financial statements for the fiscal year ended September 20, 2025.

THE SYSTEM

General

The District provides flood protection to land within its boundaries through the use of levees, flood plain reclamation (fill), and detention and outfall drainage facilities (the “System”).

Regulation

Construction and operation of the System as it now exists or as it may be expanded from time to time is subject to the regulatory jurisdiction of several federal, state and local authorities. The Commission exercises continuing supervisory authority over the District. Construction of the System is subject to the regulatory authority of Fort Bend County and the Fort Bend County Drainage District, the Federal Emergency Management Agency and, in some instances, the Commission, the U.S. Army Corps of Engineers, and the City of Sugar Land, Texas.

Flood Protection, Reclamation and Drainage Facilities

The overall plan for development of drainage facilities for the District, known as the “Plan of Reclamation”, was approved by the Texas Water Development Board on August 17, 1976. The “Amended Plan of Reclamation”, which provides for the construction of a diversion channel (designated as Ditch “H”), was approved by the Texas Water Development Board on March 21, 1978.

Substantially all of the land of the District is protected from flooding from the Brazos River and Oyster Creek by a levee which surrounds the District. The levee on the east and south sides of the District was originally constructed in the early 1920's and rehabilitated in 1979-1980. The levee along the west side of the District was completed in 1975, and the levee on the north side was completed in 1977. A portion of the District along Oyster Creek, north of US Highway 59, is protected to levels at or above the 100-year floodplain elevation by compacted earthen fill. The Federal Emergency Management Administration ("FEMA") has accredited the levee as providing protection for the areas inside the levee from a 100-year flood on the Brazos River and Oyster Creek. According to the District's Engineer, approximately 230 acres within the District are subject to flooding from a 1% Annual Chance Storm, i.e. a 100-Year Storm, occurring inside the levee. These interior areas are contained within the drainage rights-of-way (i.e. channels and ponds) with the exception of approximately 12 acres consisting of 21 residential lots within the Sweetwater Section Eight Subdivision. The slabs constructed on these 21 lots were required to be built above the 1% Annual Chance Storm water surface elevations per standards developed by the City of Sugar Land.

The interior drainage channels presently serving areas of development within the District drain into Ditch "H" and thence into the Brazos River. The flood protection facilities in the Plan of Reclamation are designed to protect the area within the District from the 100-year flooding from the Brazos River and Oyster Creek. During the period of time that Oyster Creek and the Brazos River are at a stage that normal gravity outfall is not possible from the District, the Engineer has designed the system to store the coincident rainfall which may fall locally within the District in low areas, ditches, and streets. To the extent storage is not available, the District has constructed three pumping stations to pump excess water collected locally within the District and discharge it over the levee into Ditch "H" and thence into the Brazos River. When the Brazos River and Oyster Creek are not at flood stages, the drainage ditches and channels within the District convey the 100-year storm rainfall inside the District into the Brazos River through Ditch "H" by means of gravity outfall.

In addition to the levee structures, the following is a brief description of the improvements which have been completed within the District:

Char Lake Diversion Channel - Diverts flows which previously entered the District from Brooks Lake and Oyster Creek to Ditch "H". Approximately 20% of the diversion capacity is attributable to the District with 80% attributable to Fort Bend County and City of Sugar Land needs. This diversion channel was constructed by the District and was subsequently deeded to the City of Sugar Land for long term operation and maintenance.

Level Control Structure - This structure, located on the downstream end of the Char Lake diversion channel, was constructed by the District and subsequently deeded to the City of Sugar Land for long term operation and maintenance.

Highway 6 Crossing - Permits flood water to pass under Highway 6 from Char Lake Diversion Channel into Ditch "H." This structure was constructed by the District and subsequently deeded to the City of Sugar Land for long term operation and maintenance.

Two Pump Stations and outlet Structure at Ditch "A" - Discharges storm water from the Ditch "A" internal drainage system into Ditch "H" during Brazos River flood stages.

Ditch "H" Drop Structure - Dissipates energy in flood waters flowing in Ditch "H" from the District to the Brazos River.

Ditch "A" - Provides drainage into Ditch "H" for portions of the District inside the levee and south of U.S. Hwy 59.

Ditches "B," "B-1," "C," "C-1," "D," "E," and "G" - Provide drainage into Ditch "A."

Ditch "F" - Provides drainage into Ditch "H" for portions of the District inside the levee and north of U.S. Hwy 59.

Pumping Station and outlet structure at Ditch "F" - Discharges storm water from Ditch "F" internal drainage system, into Ditch "H" during Brazos River flood stages.

Ditch "H" - Conveys storm water runoff from the District's internal drainage systems and from areas upstream of the District to the Brazos River. This is the District's main external drainage channel. A portion of Bond proceeds will be used to finance improvements related to Ditch "H." See "USE AND DISTRIBUTION OF BOND PROCEEDS."

The District has completed the construction of all flood protection and drainage facilities to provide for the level of protection against 100-Year Storms required by all local, state requirements and FEMA accreditation standards for the ultimate development within the District.

100-Year Flood Plain

“Flood Insurance Rate Map” or “FIRM” means an official map of a community on which 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 no 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 past several years.

The effective FIRM for the areas within the District boundaries are dated April 2, 2014. These maps indicate that the entire District is provided (i) flood protection for the 100-year Brazos River event by the existing levees and (ii) containment of the internal 100-year event by the District’s internal drainage system. This status designates the properties within the District to be in a Zone X (Shaded, Protected by Levees).

As stated above, according to the District's Engineer, all but approximately 12 acres of the District has been removed from the FEMA 100-year flood plain designation (Zone AE) as a consequence of either using fill to raise land or the construction of levee and drainage improvements financed by the District. The area within the District is designated as Zone X, which is described as being protected from the 1% annual chance flood hazard by a levee, dike or other structures subject to possible overtopping or failure during larger floods. The “100-year flood plain” is a hypothetical engineering and meteorological concept that defines a geographical area that would supposedly be flooded by a rain storm in intensity statistically having a one percent chance of occurring in any one 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 subsidies. An engineering or regulatory determination that an area is above the 100-year flood plain is no assurance that homes built in such area will not be flooded. If substantial or frequent flooding of homes were to occur in the District, the marketing of homes and the future growth of property values in the District could be adversely affected. See “INVESTMENT CONSIDERATIONS—Extreme Weather Events.”

Flooding Due to Levee Breach or Overtopping

The District’s levee and drainage system does not protect against all flooding scenarios. There are four (4) instances in which flooding could occur in the District: 1) an overtopping of the levee, 2) a failure (breach) of the levee system, 3) localized rainfall in excess of the 100-year event, or 4) a failure or exceedance of the capacity of the pump stations during a localized rainfall event occurring during a high Brazos River event which limits normal gravity drainage capacity.

National Flood Insurance Program (“NFIP”)

Since 2018, Congress has reauthorized and extended the NFIP by successive, short-term continuing funding resolutions, the most current of which was effective on March 15, 2025, which expires on September 30, 2025. Congress is considering a number of different proposals for long-term reauthorization of the NFIP. During prior NFIP reauthorization proceedings, Congress considered several proposals to re-authorize the NFIP that, if enacted, would have required FEMA to expand the special flood hazard areas (“SFHA”) under the NFIP to areas located behind levees, regardless of the accreditation status of the levee. As a result of this designation, areas protected by levees would be subjected to the full application of SFHA requirements under the current NFIP rules, including mandatory flood insurance purchase requirements and floodplain management regulations. The District cannot predict what impact, if any, the application of the mandatory flood insurance purchase requirements and the flood plain management regulations would have on (i) the future development of land and construction of taxable improvements in the District, (ii) the value of land and improvements currently in the District, or (iii) the availability of mortgages to purchase homes within the District. Moreover, the District cannot predict what impact, if any, the expiration of the NFIP would have on (i) the future development of land and construction of taxable improvements in the District, (ii) the value of land and improvements currently in the District, or (iii) the availability of mortgages to purchase homes within the District. The likelihood of further NFIP extension or reauthorization legislation being enacted (and whether any such legislation will contain the SFHA provisions described above or similar thereto or any other potentially adverse provisions) cannot be predicted.

Water Supply and Wastewater Treatment

The District does not provide water supply and wastewater treatment services. The water supply and wastewater facilities that serve the District are owned and operated by the City of Sugar Land. The City of Sugar Land’s system has sufficient water supply and wastewater treatment capacity to serve all the development within the District.

USE AND DISTRIBUTION OF BOND PROCEEDS

A portion of the proceeds from the sale of the Bonds will be used to pay for the construction costs associated with the items shown below. Additionally, a portion of the proceeds from the sale of the Bonds will be used to pay certain non-construction costs associated with the issuance of the Bonds.

The estimated use and distribution of Bond proceeds is shown below. Of proceeds to be received from sale of the Bonds, \$2,317,601 is estimated for construction costs, and \$282,399 is estimated for non-construction costs as detailed below:

CONSTRUCTION COSTS	
Ditch H Rehabilitation.....	\$ 2,317,601
Total Construction Costs	\$ 2,317,601
NON-CONSTRUCTION COSTS	
Legal Fees	\$ 52,000
Financial Advisory Fees	52,000
Bond Discount (Estimated at 3%)(a).....	78,000
Bond Issuance Expenses	46,299
Bond Application Report.....	45,000
TCEQ Fee (0.25%).....	6,500
Attorney General Fee.....	2,600
Total Non-Construction Costs	\$ 282,399
TOTAL BOND ISSUE	\$ 2,600,000

(a) In its order authorizing the issuance of the Bonds, the TCEQ approved a maximum Bond discount of 3.0%.

In the event approved estimated amounts exceed actual costs, the difference comprises the contingency line item which may be expended for uses in accordance with the rules of the TCEQ.

DISTRICT DEBT

Debt Service Requirement Schedule

The following table sets forth the debt service requirements for the Outstanding Bonds and the estimated debt service requirements for the Bonds at an assumed interest rate of 5.00% per annum.

Year	Outstanding Bonds Debt Service Requirements	Plus: Debt Service on the Bonds			Total Debt Service Requirements
		Principal	Interest	Total	
2025	\$ 1,004,991 (a)				\$ 1,004,991
2026	4,462,006		\$ 132,528	\$ 132,528	4,594,534
2027	4,438,406	\$ 55,000	128,625	183,625	4,622,031
2028	4,431,606	60,000	125,750	185,750	4,617,356
2029	4,413,856	65,000	122,625	187,625	4,601,481
2030	4,410,081	65,000	119,375	184,375	4,594,456
2031	4,429,881	70,000	116,000	186,000	4,615,881
2032	4,418,072	75,000	112,375	187,375	4,605,447
2033	4,408,919	75,000	108,625	183,625	4,592,544
2034	4,401,647	80,000	104,750	184,750	4,586,397
2035	4,386,281	85,000	100,625	185,625	4,571,906
2036	4,373,431	90,000	96,250	186,250	4,559,681
2037	4,356,694	95,000	91,625	186,625	4,543,319
2038	4,340,994	100,000	86,750	186,750	4,527,744
2039	4,323,194	105,000	81,625	186,625	4,509,819
2040	4,303,294	110,000	76,250	186,250	4,489,544
2041	4,291,144	115,000	70,625	185,625	4,476,769
2042	4,271,669	120,000	64,750	184,750	4,456,419
2043	4,254,869	130,000	58,500	188,500	4,443,369
2044	4,240,594	135,000	51,875	186,875	4,427,469
2045	4,223,769	140,000	45,000	185,000	4,408,769
2046	4,204,144	150,000	37,750	187,750	4,391,894
2047	4,191,569	155,000	30,125	185,125	4,376,694
2048	4,176,144	165,000	22,125	187,125	4,363,269
2049	4,157,869	175,000	13,625	188,625	4,346,494
2050	1,507,759	185,000	4,625	189,625	1,697,384
Total	\$ 106,422,881	\$ 2,600,000	\$ 2,002,778	\$ 4,602,778	\$ 111,025,659

(a) Excludes the April 1, 2025 debt service payment of \$3,206,541.

Average Annual Debt Service Requirements (2026-2050).....	\$4,400,827
Maximum Annual Debt Service Requirements (2027)	\$4,622,031

Bonded Indebtedness

2024 Certified Taxable Assessed Valuation	\$6,435,724,143 (a)
2025 Taxable Assessed Valuation	\$6,575,587,833 (b)
Direct Debt Outstanding (after the issuance of the Bonds)	\$ 80,160,000
Estimated Overlapping Debt	<u>388,060,167 (c)</u>
Total Direct and Estimated Overlapping Debt	\$468,220,167 (c)
Debt Service Fund Balance (as of July 16, 2025)	\$3,693,644
Capital Projects Fund Balance (as of July 16, 2025)	\$810,659
General Fund Balance (as of July 16, 2025)	\$8,545,079
2024 Tax Rate per \$100 Assessed Valuation	
Debt Service.....	\$0.069
Maintenance and Operations.....	<u>0.049</u>
Total.....	\$0.118 (d)
Direct Debt Ratio as a percentage of 2024 Certified Taxable Assessed Valuation.....	1.25%
Direct Debt Ratio as a percentage of 2025 Taxable Assessed Valuation.....	1.22%
Direct and Estimated Overlapping Debt Ratio as a percentage of	
2024 Certified Taxable Assessed Valuation	7.28%
Direct and Estimated Overlapping Debt Ratio as a percentage of	
2025 Taxable Assessed Valuation	7.12%

(a) As certified by the Fort Bend Central Appraisal District (the "Appraisal District"). See "TAX PROCEDURES."

(b) The Appraisal District has certified \$6,534,903,012 of taxable value and an additional \$40,684,821 of taxable value remains uncertified and is subject to review and downward adjustment. The 2025 Taxable Assessed Valuation is shown throughout this OFFICIAL STATEMENT is certified value plus the uncertified value. See "TAX PROCEDURES."

(c) See "DISTRICT DEBT—Estimated Overlapping Debt Statement."

(d) In addition to the District's tax rate, property owners are subject to additional property taxes of other overlapping jurisdictions, including but not limited to, the City of Sugar Land, Fort Bend County, Fort Bend ISD, and Fort Bend County Drainage District. See "TAX DATA—Estimated Overlapping Taxes."

Estimated Overlapping Debt Statement

Expenditures of the various taxing entities within the territory of the District are paid out of ad valorem taxes levied by such entities on properties within the District. Such entities are independent of the District and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds ("Tax Debt") was developed from information contained in the "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of the overlapping Tax Debt of the District.

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Fort Bend County.....	\$ 1,043,973,859	5/31/2025	5.22%	\$ 54,495,435
Fort Bend County Drainage District.....	21,645,000	5/31/2025	5.28%	1,142,856
Fort Bend ISD.....	1,926,445,000	5/31/2025	10.80%	208,056,060
City of Sugar Land.....	391,535,000	5/31/2025	29.76%	116,520,816
First Colony MUD No. 10 (a).....	7,845,000	5/31/2025	100.00%	7,845,000
Total Estimated Overlapping Debt.....				\$ 388,060,167
The District.....	80,160,000 (b)	Current	100.00%	80,160,000
Total Direct and Estimated Overlapping Debt.....				\$ 468,220,167

(a) Approximately 226 acres of the District lie within the boundaries of First Colony Municipal Utility District No. 10.

(b) Includes the Outstanding Bonds and the Bonds.

Debt Ratios

	<u>% of 2024 Certified Assessed Valuation</u>
Direct Debt	1.25%
Direct and Estimated Overlapping Debt	7.28%

	<u>% of 2025 Assessed Valuation</u>
Direct Debt	1.22%
Direct and Estimated Overlapping Debt	7.12%

Outstanding Bonds (as of July 1, 2025)

Series	Original Principal Amount of Outstanding Bonds	Outstanding Bonds 7/1/2025
2012	\$ 15,000,000	\$ 2,095,000
2019	48,000,000	45,750,000
2020 (a)	6,910,000	4,550,000
2020A	13,365,000	10,790,000
2021	16,635,000	14,375,000
Total	\$ 99,910,000	\$ 77,560,000

(a) Unlimited Tax Levee Improvement Refunding Bonds.

TAX DATA

General

All taxable property within the District is subject to the assessment, levy and collection by the District of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds and the Outstanding Bonds. The Board of Directors of the District has in its Bond Resolution covenanted to assess and levy for each year that all or any part of the Bonds or the Outstanding Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds and the Outstanding Bonds. The District levied a tax for debt service for 2024 at a rate of \$0.069 per \$100 of assessed valuation and a maintenance and operations tax for 2024 at a rate of \$0.049 per \$100 of assessed valuation for a total of \$0.118 per \$100 of assessed valuation for the 2024 tax year. See “Tax Rate Distribution” below.

Tax Rate Limitations

Debt Service: Unlimited (no legal limit as to rate or amount).
Maintenance and Operations: \$0.25 per \$100 of taxable assessed valuation.

Maintenance and Operations 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 January 15, 1977, the Board was authorized by a vote of the District’s electors to levy such maintenance tax in an amount not to exceed \$0.25 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 and the Outstanding Bonds and any parity bonds which may be issued in the future. The District levied a maintenance and operations tax of \$0.049 for the 2024 tax year. See “Tax Rate Distribution” below.

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District established an additional penalty of 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.

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 on the Bonds and the Outstanding Bonds if no growth in the District’s tax base occurs beyond the 2024 Certified Taxable Assessed Valuation of \$6,435,724,143, or the 2025 Taxable Assessed Valuation of \$6,575,587,833. The calculations assume collection of 95% of taxes levied and the sale of no bonds by the District except the Outstanding Bonds and the Bonds.

Average annual debt service requirement (2026-2050)	\$4,400,827
Tax Rate of \$0.072 tax rate on the 2024 Certified Taxable Assessed Valuation.....	\$4,402,035
Tax Rate of \$0.071 tax rate on the 2025 Taxable Assessed Valuation.....	\$4,435,234
Maximum annual debt service requirement (2027)	\$4,622,031
Tax Rate of \$0.076 tax rate on the 2024 Certified Taxable Assessed Valuation.....	\$4,646,593
Tax Rate of \$0.074 tax rate on the 2025 Taxable Assessed Valuation.....	\$4,622,638

Estimated Overlapping Taxes

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

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

	2024 Tax Rate per \$100 of Taxable <u>Assessed Valuation</u>
Fort Bend County (including Drainage District).....	\$ 0.422000
Fort Bend ISD.....	0.986900
City of Sugar Land.....	<u>0.353100</u>
Total Overlapping Tax Rate.....	\$ 1.762000
The District.....	<u>0.118000</u>
Total Tax Rate (a).....	\$ 1.880000

(a) Approximately 226 acres of the District lie within the boundaries of First Colony Municipal Utility District No. 10. First Colony Municipal Utility District No. 10 currently levies a tax rate of \$0.125 per \$100 of assessed value in addition to the tax rates levied by the other jurisdictions listed above. For the acreage within First Colony Municipal Utility District No. 10, the total tax rate is \$2.005.

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

Assessed Valuation Summary

The following represents the type of property comprising the 2023 through 2025 certified tax rolls. Differences in totals may vary slightly from other information herein due to differences in dates of data.

	2025 Taxable Valuation	2024 Taxable Valuation	2023 Taxable Valuation
Land	\$ 1,425,367,026	\$ 1,430,810,588	\$ 1,215,804,371
Improvements	5,749,549,099	5,710,107,329	5,453,230,877
Personal Property	316,703,799	355,012,356	339,210,348
Exemptions	<u>(956,716,912)</u>	<u>(1,060,206,130)</u>	<u>(1,007,660,974)</u>
Uncertified Value	40,684,821	-	-
Total	<u>\$ 6,575,587,833</u>	<u>\$ 6,435,724,143</u>	<u>\$ 6,000,584,622</u>

Historical Tax Collections

The following statement of tax collections sets forth in condensed form the historical tax collection experience of the District. This summary has been prepared for inclusion herein, based upon information from District records. Reference is made to these records for further and more complete information. Differences in total may vary slightly from other information herein due to differences in dates of data.

Tax Year	Certified Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of June 30, 2025 (a)	
				Amount	Percent
2020	\$ 5,087,326,631	\$ 0.1490	\$ 7,542,116	\$ 7,523,794	99.76%
2021	5,111,253,755	0.1490	7,559,340	7,542,222	99.77%
2022	5,548,908,652	0.1400	7,645,579	7,624,869	99.73%
2023	6,000,584,622	0.1250	7,632,680	7,605,618	99.65%
2024	6,435,724,143	0.1180	7,572,118	7,480,062	98.78%

(a) Unaudited.

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. No split payments are allowed, and no discounts are allowed.

Tax Rate Distribution

	2024	2023	2022	2021	2020
Debt Service	\$0.0690	\$0.0730	\$0.0790	\$0.0880	\$0.0930
Maintenance and Operations	0.0490	0.0520	0.0610	0.0610	0.0560
Total	\$0.1180	\$0.1250	\$0.1400	\$0.1490	\$0.1490

Tax Exemption

As discussed in the section titled “TAX PROCEDURES” herein, certain property in the District may be exempt from taxation by the District. The District does not exempt any percentage of the market value of any residential homesteads from taxation. The District has adopted a \$15,000 homestead exemption for disabled persons or persons over 65 years of age for the 2025 tax year.

Principal 2024 Taxpayers

The following list of principal taxpayers was provided by the District's tax assessor/collector and represents the principal taxpayers' value as a percentage of the certified appraisal rolls for the 2024 Certified Taxable Assessed Valuation. This represents ownership as of January 1, 2024. An accurate principal taxpayer list related to the 2025 Taxable Assessed Valuation is not available from the Appraisal District as of the date hereof.

Taxpayer	Type of Property	% of 2024 Certified Taxable Assessed Valuation	
		2024 Certified Taxable Assessed Valuation	% of 2024 Certified Taxable Assessed Valuation
First Colony Mall LLC	Land & Improvements	\$ 136,915,314	2.13%
LCFRE Sugar Land Town Square LLC	Land & Improvements	106,218,409	1.65%
Market Town Center Owner LLC	Land & Improvements	88,987,337	1.38%
One FDD LLC	Land & Improvements	53,000,000	0.82%
KRG Sugar Land Colony LLC	Land & Improvements	46,685,394	0.73%
First Colony Gardens LP	Land & Improvements	45,500,000	0.71%
Edgewater Gardens LP	Land & Improvements	38,200,000	0.59%
BriXmor Lake Pointe Village LLC	Land & Improvements	35,313,692	0.55%
Longreach Associates LTD I LLC	Land, Imp & Personal	33,532,000	0.52%
River Crest Gardens LP	Land & Improvements	30,000,000	0.47%
Total		\$ 614,352,146	9.55%

TAX 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 Resolution to levy such a tax from year to year as described more fully herein under “THE BONDS—Source of and Security for Payment.” Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and for the payment of certain contractual obligations. See “TAX DATA—General” and “—Maintenance and Operations Tax.”

Property Tax Code and County-Wide Appraisal District

Title I of the Texas Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here.

The Property 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 for appraising property for all taxing units within Fort Bend County, including the District. Such appraisal values are subject to review and change by the Fort Bend County Appraisal Review Board (the “Appraisal Review Board”).

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; travel trailers; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of 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 approves 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. 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, of between \$5,000 and \$12,000 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 residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who was entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed or fatally injured in the line of duty is, subject to certain conditions, entitled to a total tax exemption on such surviving spouse's residence homestead. If the surviving spouse changes homesteads, but does not remarry, then the amount of the exemption as of the last year of the first qualifying residential homestead is applicable to the subsequent homesteads. 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. See “TAX DATA.”

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

Freeport Goods and Goods-in-Transit Exemptions: 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 fewer 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 is limited to 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 all prior and subsequent years.

Tax Abatement

Fort Bend County or the City of Sugar Land may designate all or part of the area within the District as a reinvestment zone. Thereafter, Fort Bend County, the District, and the City of Sugar Land 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. The District has adopted guidelines and criteria for establishing tax abatement agreements. While the District has previously entered into tax abatement agreements, no such agreements are currently in effect for the 2025 tax year and beyond. See “THE DISTRICT—City of Sugar Land Tax Increment Reinvestment Zone No. 1.” However, the District reserves the right to enter into future tax abatement agreements and cannot make any representations as to the likelihood of entering into such agreements.

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. Generally, 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. In determining market value, either the replacement cost or the income or the market data method of valuation may be used, whichever is appropriate. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads are limited by the Texas Constitution to 10 percent annually regardless of the market value of the property.

The Property Tax Code permits land designated for agricultural use, open space, or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space, or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to 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, 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 reappraisal 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 formally to include such values on its appraisal roll.

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

District and Taxpayer Remedies

Under certain circumstances taxpayers and taxing units (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 Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

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, 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 continues 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 tax payer 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 3 equal installments within 6 months of the delinquency date.

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 1.08 times the previous year's operation and maintenance tax rate.

Developed Districts: Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 1.035 times the previous year's operation and maintenance tax rate plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or the President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the 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 1.08 times the previous year's operation and maintenance tax rate.

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

District's Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both, subject to the restrictions on residential homesteads described above under “Levy and Collection of Taxes.” 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 cost of suit and sale, 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.”

INVESTMENT CONSIDERATIONS

General

The Bonds are obligations solely of the District and are not obligations of the City of Sugar Land, Fort Bend County, the State of Texas, or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect taxes levied on taxable property within the District in an amount sufficient to service the District's bonded debt or in the event of foreclosure, on the value of the taxable property in the District and the taxes levied by the District and other taxing authorities upon the property within the District. See “THE BONDS—Source of Security for Payment.” The collection by the District of delinquent taxes owed to it and the enforcement by Registered Owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that taxable property within the District will maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property or that owners of the property will have the ability to pay taxes. See “Registered Owners' Remedies and Bankruptcy Limitations.”

Construction Litigation

Flintco, LLC (“Flintco”) filed a third-party petition against the District in the 434th district court of Fort Bend County, Texas on January 17, 2025 (Cause No. 24-DCV-313956) in connection with its payment claims against the District arising from the Third Storm Water Pump Station Project in Fort Bend County, Texas (the “Project”). Flintco's payment claims were derivative of the payment claims brought by Ferguson Enterprises, LLC (“Ferguson”) against Flintco in the same lawsuit (Cause No. 24-DCV-313956). The District attended a mediation with Flintco, Ferguson, and AECOM Technical Services, Inc. (“AECOM”) on February 7, 2025, but the mediation was unsuccessful. Thereafter, the District sued AECOM to bring AECOM into the same lawsuit (Cause No. 24-DCV-313956) for alleged errors and omissions committed by AECOM as the engineer of record for the Project. The District also counter-claimed against Flintco for alleged construction defects in the Project. The parties are now engaged in discovery with a trial date set for December 2, 2025. The amount being claimed against the District is estimated to be between \$250,000 and \$1,000,000. The amount the District is claiming against the other parties is estimated to be between \$1,200,000 and \$1,500,000. The District cannot make any representation on the outcome related to any of the actions described above. See “THE SYSTEM.”

Extreme Weather

The greater 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 25, 2017, and brought historic levels of rainfall during the successive four days.

According to the District's General Manager, the City of Sugar Land's water system and wastewater system, each of which serves homes and commercial development within the District, operated throughout the Hurricane Harvey event. In addition, the District's drainage facilities, including the earthen levee, storm water pump stations, storm water outfall structures, flap gates, drainage channels, detention ponds and all other drainage facilities functioned as designed and sustained no material damage according to the District's Engineer and Operator (each as defined herein). The District is aware of approximately 235 homes within the District that experienced structural flooding or other material damage as a result of Hurricane Harvey due to heavy rainfall, and not a result of a failure of the District's levees or other flood protection or drainage facilities.

On May 7, 2019, the District experienced an 8 to 10-inch rainfall event in approximately 4 to 5 hours. The City of Sugar Land's water system and wastewater system both operated throughout the May 7, 2019 event. The District's drainage facilities, including the earthen levee, storm water pump stations, storm water outfall structures, flap gates, drainage channels, detention ponds and all other drainage facilities functioned as designed and sustained no material damage according to the District's Engineer and Operator (each as defined herein). The District is aware of approximately 64 homes within the District that experienced structural flooding or other material damage as a result of the May 7, 2019 rain event due to heavy rainfall, and not a result of failure of the District's levees or other flood protection or drainage facilities.

In July 2024, Hurricane Beryl made landfall along the Texas Gulf Coast. District facilities remained operational during the event and were not adversely impacted. Due to high winds, the District did experience downed tree limbs and other debris that fell within its levee and channel rights-of-way. The District used reserve funds and a NRCS Grant to complete the debris removal.

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. See "THE SYSTEM—Flood Protection, Reclamation and Drainage Facilities."

Specific Flood Type Risks

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

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

Flooding Due to Levee Breach or Overtopping: According to the District's engineer, the District's levee and drainage system have been designed and constructed to all current local, state and federal standards. However, the levee system does not protect against all flooding scenarios. There are four (4) instances in which flooding could occur in the District: 1) an overtopping of the levee, 2) a failure (breach) of the levee system, 3) localized rainfall in excess of the 100-year event, or 4) a failure or exceedance of the capacity of the pump stations during a localized rainfall event occurring during a high Brazos River event which limits normal gravity drainage capacity.

The District's levee system is part of a regional perimeter levee system that protects approximately 12,142 acres of property in Fort Bend County. The District, together with 5 other levee improvement districts and 1 municipal utility district, have entered into an agreement relating to the operation and maintenance of the perimeter levee system to ensure that all participants have constructed and maintained their individual levee systems to meet applicable federal, state and local criteria for flood protection. An overtopping or failure (or breach) of any participant's levee system could result in regionalized flooding for all or part of the area protected by the perimeter levee system.

An overtopping of the levee could occur if the Brazos River or its tributaries reach flood stages higher than the 100-year event. The "100-year event" means the river elevation which has a statistical 1% chance of occurring in any given year. Current FEMA regulations require an earthen levee to be constructed a minimum of three feet above the level of a 100-year event. Fort Bend County standards are four feet above the 100-year event elevation.

In addition to the risk of overtopping, a portion of the District would experience flooding if the levee failed (or breached) while the Brazos River (or its tributaries) were at flood state of less than the 100-year event. To mitigate the risk, the District performs weekly inspections of the levee to observe any visible deterioration of the levee that is in need to repair.

National Flood Insurance Program (“NFIP”)

Since 2018, Congress has reauthorized and extended the NFIP by successive, short-term continuing funding resolutions, the most current of which was effective on March 15, 2025, that expires on September 30, 2025. Congress is considering a number of different proposals for long-term reauthorization of the NFIP. During prior NFIP reauthorization proceedings, Congress considered several proposals to re-authorize the NFIP that, if enacted, would have required FEMA to expand the special flood hazard areas (“SFHA”) under the NFIP to areas located behind levees, regardless of the accreditation status of the levee. As a result of this designation, areas protected by levees would be subjected to the full application of SFHA requirements under the current NFIP rules, including mandatory flood insurance purchase requirements and floodplain management regulations. The District cannot predict what impact, if any, the application of the mandatory flood insurance purchase requirements and the flood plain management regulations would have on (i) the future development of land and construction of taxable improvements in the District, (ii) the value of land and improvements currently in the District, or (iii) the availability of mortgages to purchase homes within the District. Moreover, the District cannot predict what impact, if any, the expiration of the NFIP would have on (i) the future development of land and construction of taxable improvements in the District, (ii) the value of land and improvements currently in the District, or (iii) the availability of mortgages to purchase homes within the District. The likelihood of further NFIP extension or reauthorization legislation being enacted (and whether any such legislation will contain the SFHA provisions described above or similar thereto or any other potentially adverse provisions) cannot be predicted.

Maximum Impact on District Tax Rates

Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2024 Certified Taxable Assessed Valuation of property located within the District (see “TAX DATA”) is \$6,435,724,143. After issuance of the Bonds, the maximum annual debt service requirement on the Outstanding Bonds and the Bonds are projected to be \$4,622,031 (2027) and the average annual debt service requirements are projected to be \$4,400,827 (2026-2050), inclusive. Assuming no increase to nor decrease from the 2024 Certified Taxable Assessed Valuation, tax rates of \$0.076 and \$0.072 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. The 2025 Taxable Assessed Valuation is \$6,575,587,833, which reduces the above calculations to \$0.074 and \$0.071 per \$100 of taxable assessed valuation, respectively.

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners. The District levied a debt service tax rate of \$0.069 per \$100 of assessed valuation for 2024 plus a maintenance and operations tax rate of \$0.049 per \$100 of assessed valuation.

Future Debt

The District has the right to issue additional unlimited tax levee improvement bonds for levee and drainage facilities or additional bonds for such other purposes for which the District is authorized by the Constitution and laws of the State of Texas (the “Authorized Facilities”). The issuance of unlimited tax levee improvement bonds requires TCEQ approval. Following the issuance of the Bonds, \$55,375,000 of bonds will remain authorized but unissued for the purpose of financing the construction of levee and drainage facilities and for refunding bonds issued for such purposes. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District (if authorized by the District's voters and approved by the Board and the Commission).

The System currently provides flood protection from overflows of the Brazos River to the land within the District. The System also provides detention and outfall drainage facilities to maintain internal water surface elevations in the developed areas below the 100-year flood plain.

It may be necessary for the District to call additional bond elections at some point in the future. No representation can be made that the District will call such an election or that such an election will result in the authorization of additional bonds. Issuance of additional bonds could dilute the investment security for the Bonds.

Potential Effects of Oil Price Volatility on the Houston Area

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

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by market conditions limiting the proceeds from a foreclosure sale of taxable property and collection procedures. 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. The costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. See "TAX PROCEDURES—District's Rights in the Event of Tax Delinquencies."

Registered Owners' Remedies and Bankruptcy Limitations

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, if it fails to make payments into any fund or funds created in the Bond Resolution, or if it defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution does not specifically 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. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. 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 Resolution may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by 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 to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or 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 discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owners' remedies, including mandamus. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay, or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision such as the District may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (1) is authorized to file for federal bankruptcy protection by applicable state 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. Special districts such as the District must obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such 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 a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect Registered Owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating the collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owners' claims against a district.

A district may not be forced into bankruptcy involuntarily.

Environmental Regulations

Wastewater treatment and water supply facilities are subject to stringent and complex environmental laws and regulations. Facilities must comply with environmental laws at the federal, state, and local levels. These laws and regulations can restrict or prohibit certain activities that affect the environment in many ways such as:

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

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

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

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

The HGB Area is currently designated as a “serious” nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2027. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

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

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

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

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and the EPA’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency’s rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future. Further, the EPA has established a NPDWR for six (6) Per- and Polyfluoroalkyl Substances (“PFAS”), which requires public water systems to perform certain monitoring and remediation measures. Public water systems may be subject to additional PFAS regulation in the future, which could increase the cost of constructing, operating, and maintaining water production and distribution facilities.

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

The District is subject to the TCEQ’s General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”), which was issued by the TCEQ on August 15, 2024. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The District has coverage under MS4 Permit number TXR040504. In order to maintain compliance with the MS4 Permit, the District continues to develop, implement, and maintain 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. Costs associated with these compliance activities could be substantial 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.

Continuing Compliance with Certain Covenants

The Bond Resolution contains covenants by the District intended to preserve the exclusion from gross income for federal income tax purposes of interest on the Bonds. Failure by the District to comply with such covenants in the Bond Resolution 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.”

Marketability

The District has no agreement with the Initial Purchaser regarding the reoffering yields or prices of the Bonds and has no control 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 price of the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are generally bought, sold or traded in the secondary market.

2025 Legislative Session

The 89th Regular Legislative Session convened on January 14, 2025, and concluded on June 2, 2025. The Texas Legislature meets in regular session in odd numbered years for 140 days. When the Texas Legislature is not in session, the Governor of Texas (the “Governor”) may call one or more special sessions, at the Governor’s discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. During this time, the Texas Legislature may enact laws that materially change current law as it relates to the District. On June 23, 2025, the Governor called the First Special Session to begin on July 21, 2025. The District can make no representation regarding any actions the Texas Legislature may take or the effect of such actions.

Risk Factors Related to the Purchase of Municipal Bond Insurance

The District has applied for a bond insurance policy (the “Policy”) to guarantee the scheduled payment of principal and interest on the Bonds. If the Policy is purchased, investors should be aware of the following investment considerations:

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

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

Neither the District nor the Initial Purchaser has made independent investigation into the claims-paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims-paying ability of the Insurer, particularly over the life of the investment. See “MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE” for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

LEGAL MATTERS

Legal Proceedings

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

Bond Counsel has reviewed the information appearing in this Official Statement under “THE BONDS,” “THE DISTRICT—General,” “TAX PROCEDURES,” “LEGAL MATTERS,” “TAX MATTERS,” and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine if such information, insofar as it relates to matters of law, is true and correct, and whether such information fairly summarizes the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the 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 Bond Counsel’s limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

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

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

No Material Adverse Change

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

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, executed by both the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that there is not pending, and to their knowledge, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices, and that no additional bonds or other indebtedness have been issued since the date of the statement of indebtedness or nonencumbrance certificate submitted to the Attorney General of Texas in connection with approval of the Bonds.

TAX MATTERS

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

Tax Exemption

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

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

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

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

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

Qualified Tax-Exempt Obligations

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as "qualified tax-exempt obligations" and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed \$10,000,000.

The District will designate the Bonds as "qualified tax-exempt obligations" and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2025 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2025.

Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a 20 percent disallowance of allocable interest expense

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

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

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

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

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

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

Tax Accounting Treatment of Original Issue Discount: If the issue price of any maturity the Bonds is less than the stated redemption price payable at maturity of such Bonds (the “OID Bonds”), the difference between (i) the amount payable at the maturity of each OID Bond, and (ii) the initial offering price to the public of such OID Bond constitutes original issue discount with respect to such OID Bond in the hands of any owner who has purchased such OID Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such OID Bond equal to that portion of the amount of such original issue discount allocable to the period that such OID Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions “TAX MATTERS – Tax Exemption” and “TAX MATTERS – Additional Federal Income Tax Considerations – Collateral Tax Consequences” and “—Tax Legislative Changes” generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

In the event of the redemption, sale or other taxable disposition of such OID Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such OID Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such OID Bond was held by such initial owner) is includable in gross income. The foregoing discussion assumes that (i) the Underwriter has purchased the Bonds for contemporaneous sale to the public and (ii) all of the OID Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm’s-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the [inside] cover page of this Official Statement. Neither the District nor Bond Counsel has made any investigation or offers any assurance that the OID Bonds will be offered and sold in accordance with such assumptions.

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

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

Tax Legislative Changes

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

Tax Legislative Changes

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was tendered by _____ (the “Initial Purchaser”) bearing the interest rates shown on the cover page hereof, 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 of the Texas Government Code.

Prices and Marketability

The prices and other terms with respect to the offering and sale of the Bonds may be changed at any time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Initial Purchaser may over-allot or effect transactions that stabilize or maintain the market prices of the Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of utility district bonds may be greater than the difference between the bid and asked price 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.

Securities Laws

No registration statement relating to the offer and sale of the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the 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 other 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 in such other jurisdiction.

MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE

Standard & Poor’s Financial Services LLP (“S&P”) has assigned an underlying rating of “AA” to the Bonds. An explanation of the rating may be obtained from S&P. The rating fees of S&P will be paid by the District; however, the fees associated with any other rating will be the responsibility of the Initial Purchaser.

Application has also been made for the qualification of the Bonds for municipal bond insurance. If qualified, such insurance will be available at the option of the Initial Purchaser and at the Initial Purchaser’s expense. The rating fees of S&P will be paid by the District; any other rating fees associated with the insurance will be the responsibility of the Initial Purchaser. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance.”

There is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn entirely by S&P, if in its judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

The financial data and other information contained in this Official Statement have been obtained primarily from the District's records, the Engineer, the Tax Assessor/Collector, the Appraisal District and information from certain other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from sources other than the District, and its inclusion herein is not to be construed as a representation on the part of the District except as described below under “Certification of Official Statement.” Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions, engineering and other related information set forth in this Official Statement are included herein 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.

Financial Advisor

Masterson Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement, including the Official Notice of Sale and the Official Bid Form for the sale of the Bonds. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this Official Statement. In addition to compiling and editing, the Financial Advisor has obtained the information set forth herein under the caption indicated from the following sources:

“THE DISTRICT” –LJA Engineering, Inc. (“Engineer”), and Records of the District (“Records”); “THE SYSTEM” - Engineer; “DISTRICT DEBT-Bonded Indebtedness” - Fort Bend Central Appraisal District and Fort Bend County Tax Assessor/Collector; “DISTRICT DEBT-Estimated Overlapping Debt Statement - Municipal Advisory Council of Texas and Financial Advisor; “TAX DATA” – Fort Bend County Tax Assessor Collector; “MANAGEMENT” - District Records; “DISTRICT DEBT-Debt Service Requirements Schedule” - Financial Advisor; “THE BONDS,” “TAX PROCEDURES,” and “LEGAL MATTERS” - Allen Boone Humphries Robinson LLP.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement: The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Consultants

In approving this Official Statement, the District has relied upon the following consultants.

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

Appraisal District: The information contained in this Official Statement relating to the assessed valuations has been provided by the Fort Bend Central Appraisal District and has been included herein in reliance upon the authority of such entity as experts in assessing the values of property in Fort Bend County, including the District.

Tax Assessor/Collector: The information contained in this Official Statement relating to the historical breakdown of the Assessed Valuations, principal taxpayers, and certain other historical data concerning tax rates and tax collections has been provided by the Fort Bend County Tax Assessor Collector and is included herein in reliance upon the authority of said firm as an expert in assessing and collecting taxes.

Auditor: The financial statements of the District as of September 30, 2024, and for the year then ended, included in this offering document have been audited by McGrath & Co., PLLC, independent auditors, as stated in their report appearing herein. See “APPENDIX A” for a copy of the District’s September 30, 2024 audited financial statements. The District has engaged McGrath & Co., PLLC, independent auditors, to audit its financial statements for the fiscal year ended September 20, 2025.

Updating the Official Statement

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

Certification of Official Statement

The District, acting through its Board of Directors in its official capacity, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement 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 are made, not misleading. With respect to information included in this Official Statement other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. In rendering such certificate, the official executing this certificate may state that he has relied in part on his examination of records of the District relating to matters within his own area of responsibility, and his discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants and representatives of the District.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolution, the District has made the following agreement for the benefit of the Registered 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 certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") System.

Annual Reports

The District will provide certain financial information and operating data annually to the MSRB. The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data of the general type included in this OFFICIAL STATEMENT under the headings "DISTRICT DEBT (except under the heading "Estimated Overlapping Debt Statement)," "TAX DATA," and in APPENDIX A (Audited Financial Statements of the District and certain supplemental schedules). The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2025. Any financial statements provided by the District shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable year to the MSRB within such six-month period and audited financial statements when the audit report becomes available.

The District's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify 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 determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the

Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms “obligated person” and “financial obligation” when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the “Rule”). The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution 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, operational data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information from MSRB

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public through the EMMA internet portal 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 Registered 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 to 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 Registered and Beneficial Owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement 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 its continuing disclosure agreements made in accordance with SEC Rule 15c2-12.

MISCELLANEOUS

All estimates, statements and assumptions in this Official Statement and the Appendix hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact, and no representation is made that any such statements will be realized.

This Official Statement was approved by the Board of Directors of Fort Bend County Levee Improvement District No. 2, as of the date shown on the cover page.

/s/ _____
President, Board of Directors
Fort Bend County Levee Improvement District No. 2

ATTEST:

/s/ _____
Secretary, Board of Directors
Fort Bend County Levee Improvement District No. 2

AERIAL PHOTOGRAPH

(Approximate boundaries of the District as of June 2025)



FORT BEND COUNTY
LEVEE IMPROVEMENT
DISTRICT No. 2



PHOTOGRAPHS OF THE DISTRICT

(Taken June 2025)















APPENDIX A

District Audited Financial Statements for the fiscal year ended September 30, 2024

**FORT BEND COUNTY LEVEE
IMPROVEMENT DISTRICT NO. 2**

FORT BEND COUNTY, TEXAS

FINANCIAL REPORT

September 30, 2024

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McGRATH & CO., PLLC

Certified Public Accountants

2900 North Loop West, Suite 880

Houston, Texas 77092

Independent Auditor's Report

Board of Directors
Fort Bend County Levee Improvement District No. 2
Fort Bend County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Bend County Levee Improvement District No. 2 (the "District"), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Fort Bend County Levee Improvement District No. 2, as of September 30, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

***Board of Directors
Fort Bend County Levee Improvement District No. 2
Fort Bend County, Texas***

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

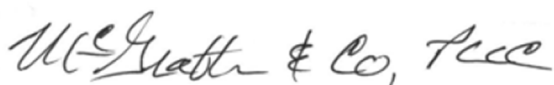
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part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

***Board of Directors
Fort Bend County Levee Improvement District No. 2
Fort Bend County, Texas***

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

Supplementary Information

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

A handwritten signature in dark ink that reads "McGlothlin & Co, PLLC". The signature is written in a cursive, flowing style.

Houston, Texas
January 15, 2025

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Management's Discussion and Analysis

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***Fort Bend County Levee Improvement District No. 2
Management's Discussion and Analysis
September 30, 2024***

Using this Annual Report

Within this section of the financial report of Fort Bend County Levee Improvement District No. 2 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2024. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

Fort Bend County Levee Improvement District No. 2
Management's Discussion and Analysis
September 30, 2024

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at September 30, 2024, was \$59,091,203. A comparative summary of the District's overall financial position, as of September 30, 2024 and 2023, is as follows:

	2024	2023
Current and other assets	\$ 14,552,581	\$ 21,509,791
Capital assets	126,296,529	120,784,467
Total assets	140,849,110	142,294,258
Total deferred outflows of resources	149,635	174,574
Current liabilities	4,225,086	4,227,683
Long-term liabilities	77,682,456	79,867,866
Total liabilities	81,907,542	84,095,549
Net position		
Net investment in capital assets	48,413,192	48,025,881
Restricted	3,194,641	3,151,801
Unrestricted	7,483,370	7,195,601
Total net position	\$ 59,091,203	\$ 58,373,283

Fort Bend County Levee Improvement District No. 2
Management's Discussion and Analysis
September 30, 2024

The total net position of the District increased during the current fiscal year by \$717,920. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2024	2023
Revenues		
Property taxes, penalties and interest	\$ 7,522,735	\$ 7,896,787
Other	959,873	1,210,273
Total revenues	<u>8,482,608</u>	<u>9,107,060</u>
Expenses		
Operating and administrative	3,585,256	3,379,894
Interest and fees	2,130,410	2,203,560
Depreciation	2,049,022	2,084,839
Total expenses	<u>7,764,688</u>	<u>7,668,293</u>
Change in net position before other items	717,920	1,438,767
Other items		
Insurance recovery		84,800
Change in net position	717,920	1,523,567
Net position, beginning of year	58,373,283	56,849,716
Net position, end of year	<u>\$ 59,091,203</u>	<u>\$ 58,373,283</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of September 30, 2024, were \$12,215,257, which consists of \$7,400,113 in the General Fund, \$3,000,660 in the Debt Service Fund and \$1,814,484 in the Capital Projects Fund.

General Fund

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

	2024	2023
Total assets	<u>\$ 7,816,305</u>	<u>\$ 7,493,954</u>
Total liabilities	\$ 332,935	\$ 298,353
Total deferred inflows	83,257	118,431
Total fund balance	7,400,113	7,077,170
Total liabilities, deferred inflows and fund balance	<u>\$ 7,816,305</u>	<u>\$ 7,493,954</u>

Fort Bend County Levee Improvement District No. 2
Management's Discussion and Analysis
September 30, 2024

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

	2024	2023
Total revenues	\$ 3,561,810	\$ 3,721,413
Total expenditures	(3,238,867)	(2,782,582)
Revenues over expenditures	322,943	938,831
Other changes in fund balance		84,800
Net change in fund balance	\$ 322,943	\$ 1,023,631

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy, which is dependent upon assessed values in the District and maintenance tax rate set by the District. While assessed values in the District increased from the prior year, property tax revenues decreased because the District decreased the maintenance component of the levy.

Debt Service Fund

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

	2024	2023
Total assets	\$ 3,552,737	\$ 3,165,295
Total liabilities	\$ 358,096	\$ 13,494
Total deferred inflows	193,981	252,195
Total fund balance	3,000,660	2,899,606
Total liabilities, deferred inflows and fund balance	\$ 3,552,737	\$ 3,165,295

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

	2024	2023
Total revenues	\$ 4,697,694	\$ 4,606,097
Total expenditures	(4,596,640)	(4,808,422)
Revenues over/(under) expenditures	\$ 101,054	\$ (202,325)

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues. The difference between these financial resources and debt service requirements resulted in changes in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

***Fort Bend County Levee Improvement District No. 2
Management's Discussion and Analysis
September 30, 2024***

Capital Projects Fund

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

	2024	2023
Total assets	<u>\$ 3,183,539</u>	<u>\$ 10,850,542</u>
Total liabilities	\$ 1,369,055	\$ 1,790,836
Total fund balance	<u>1,814,484</u>	<u>9,059,706</u>
Total liabilities and fund balance	<u>\$ 3,183,539</u>	<u>\$ 10,850,542</u>

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

	2024	2023
Total revenues	\$ 316,492	\$ 686,348
Total expenditures	<u>(7,561,714)</u>	<u>(8,420,578)</u>
Revenues under expenditures	<u>\$ (7,245,222)</u>	<u>\$ (7,734,230)</u>

The District has had considerable capital asset activity in the last two years, which was financed with unspent bond proceeds.

General Fund Budgetary Highlights

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$271,234 less than budgeted. The *Budgetary Comparison Schedule* on page 34 of this report provides variance information per financial statement line item.

Fort Bend County Levee Improvement District No. 2
Management's Discussion and Analysis
September 30, 2024

Capital Assets

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

	2024	2023
Capital assets not being depreciated		
Land and improvements	\$ 24,809,934	\$ 24,809,934
Construction in progress	54,241,943	46,680,859
	<u>79,051,877</u>	<u>71,490,793</u>
Capital assets being depreciated		
Infrastructure	56,020,506	56,020,506
Building	400,519	400,519
Equipment	12,373,165	12,373,165
	<u>68,794,190</u>	<u>68,794,190</u>
Less accumulated depreciation		
Infrastructure	(14,492,352)	(13,251,999)
Building	(160,212)	(146,861)
Equipment	(6,896,974)	(6,101,656)
	<u>(21,549,538)</u>	<u>(19,500,516)</u>
Depreciable capital assets, net	<u>47,244,652</u>	<u>49,293,674</u>
Capital assets, net	<u>\$ 126,296,529</u>	<u>\$ 120,784,467</u>

The District's construction in progress is for the construction of the following:

- Third Storm Water Pump Station – Contract 3
- Thelen Storm Water Pump Station Expansion
- Ditch B and B-1 Improvements
- Sound mitigation - McDonald Pump Station

Long-Term Debt

At September 30, 2024 and 2023, the District had total bonded debt outstanding as shown below:

Series	2024	2023
2012	\$ 2,095,000	\$ 2,095,000
2019	46,125,000	46,500,000
2020 Refunding	5,365,000	6,140,000
2020A	11,190,000	11,590,000
2021	14,950,000	15,525,000
	<u>\$ 79,725,000</u>	<u>\$ 81,850,000</u>

Fort Bend County Levee Improvement District No. 2
Management's Discussion and Analysis
September 30, 2024

At September 30, 2024, the District had \$57,975,000 unlimited tax levee improvement bonds authorized, but unissued for the purposes of acquiring, constructing and improving levee and drainage systems within the District and for refunding of such bonds.

Next Year's Budget

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

	2024 Actual	2025 Budget
Total revenues	\$ 3,561,810	\$ 3,334,060
Total expenditures	(3,238,867)	(3,275,261)
Revenues over expenditures	322,943	58,799
Beginning fund balance	7,077,170	7,400,113
Ending fund balance	<u>\$ 7,400,113</u>	<u>\$ 7,458,912</u>

Property Taxes

The District's property tax base increased approximately \$297,172,000 for the 2024 tax year from \$6,163,240,746 to \$6,460,412,370. This increase was primarily due to new construction in the District and increased property values. For the 2024 tax year, the District has levied a maintenance tax rate of \$0.049 per \$100 of assessed value and a debt service tax rate of \$0.069 per \$100 of assessed value, for a total combined tax rate of \$0.118 per \$100 of assessed value. Tax rates for the 2023 tax year were \$0.052 per \$100 for maintenance and operations and \$0.073 per \$100 for debt service for a combined total of \$0.125 per \$100 of assessed value.

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Basic Financial Statements

Fort Bend County Levee Improvement District No. 2
Statement of Net Position and Governmental Funds Balance Sheet
September 30, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 23,842	\$ 53,442	\$ 35,490	\$ 112,774	\$ -	\$ 112,774
Investments	7,685,325	3,302,102	3,121,270	14,108,697		14,108,697
Taxes receivable, net	83,257	193,981		277,238		277,238
Internal balances	(3,212)	3,212				
Due from others	27,093		26,779	53,872		53,872
Capital assets not being depreciated					79,051,877	79,051,877
Capital assets, net					47,244,652	47,244,652
Total Assets	<u>\$ 7,816,305</u>	<u>\$ 3,552,737</u>	<u>\$ 3,183,539</u>	<u>\$ 14,552,581</u>	<u>126,296,529</u>	<u>140,849,110</u>
Deferred Outflows of Resources						
Deferred difference on refunding					149,635	149,635
Liabilities						
Accounts payable	\$ 240,926	\$ -	\$ 425,313	\$ 666,239		666,239
Other payables	9,509	13,494		23,003		23,003
Retainage payable			893,583	893,583		893,583
Maintenance deposits	82,500			82,500		82,500
Due to other governments		344,602	50,159	394,761		394,761
Long-term debt						
Due within one year					2,165,000	2,165,000
Due after one year					77,682,456	77,682,456
Total Liabilities	<u>332,935</u>	<u>358,096</u>	<u>1,369,055</u>	<u>2,060,086</u>	<u>79,847,456</u>	<u>81,907,542</u>
Deferred Inflows of Resources						
Deferred property taxes	<u>83,257</u>	<u>193,981</u>		<u>277,238</u>	<u>(277,238)</u>	
Fund Balances/Net Position						
Fund Balances						
Restricted		3,000,660	1,814,484	4,815,144	(4,815,144)	
Unassigned	7,400,113			7,400,113	(7,400,113)	
Total Fund Balances	<u>7,400,113</u>	<u>3,000,660</u>	<u>1,814,484</u>	<u>12,215,257</u>	<u>(12,215,257)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 7,816,305</u>	<u>\$ 3,552,737</u>	<u>\$ 3,183,539</u>	<u>\$ 14,552,581</u>		
Net Position						
Net investment in capital assets					48,413,192	48,413,192
Restricted for debt service					3,194,641	3,194,641
Unrestricted					7,483,370	7,483,370
Total Net Position					<u>\$ 59,091,203</u>	<u>\$ 59,091,203</u>

See notes to basic financial statements.

Fort Bend County Levee Improvement District No. 2**Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2024**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 3,145,939	\$ 4,418,620	\$ -	\$ 7,564,559	\$ (75,197)	\$ 7,489,362
Penalties and interest		51,564		51,564	(18,191)	33,373
Investment earnings	415,871	227,510	316,492	959,873		959,873
Total Revenues	<u>3,561,810</u>	<u>4,697,694</u>	<u>316,492</u>	<u>8,575,996</u>	<u>(93,388)</u>	<u>8,482,608</u>
Expenditures/Expenses						
Purchased services	2,671			2,671		2,671
Professional fees	458,674			458,674		458,674
Contracted services	1,159,132	59		1,159,191		1,159,191
Repairs and maintenance	1,161,346			1,161,346		1,161,346
Utilities	226,758			226,758		226,758
TIRZ participation		344,602		344,602		344,602
Administrative	217,169		630	217,799		217,799
Other	13,117	1,098		14,215		14,215
Capital outlay			7,561,084	7,561,084	(7,561,084)	
Debt service						
Principal		2,125,000		2,125,000	(2,125,000)	
Interest and fees		2,125,881		2,125,881	4,529	2,130,410
Depreciation					2,049,022	2,049,022
Total Expenditures/Expenses	<u>3,238,867</u>	<u>4,596,640</u>	<u>7,561,714</u>	<u>15,397,221</u>	<u>(7,632,533)</u>	<u>7,764,688</u>
Revenues Over/(Under)						
Expenditures	322,943	101,054	(7,245,222)	(6,821,225)	6,821,225	
Change in Net Position					717,920	717,920
Fund Balance/Net Position						
Beginning of the year	<u>7,077,170</u>	<u>2,899,606</u>	<u>9,059,706</u>	<u>19,036,482</u>	<u>39,336,801</u>	<u>58,373,283</u>
End of the year	<u>\$ 7,400,113</u>	<u>\$ 3,000,660</u>	<u>\$ 1,814,484</u>	<u>\$ 12,215,257</u>	<u>\$ 46,875,946</u>	<u>\$ 59,091,203</u>

See notes to basic financial statements.

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Fort Bend County Levee Improvement District No. 2
Notes to Financial Statements
September 30, 2024

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Fort Bend County Levee Improvement District No. 2 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality, dated February 10, 1975, and operates in accordance with the Texas Water Code, Chapters 49 and 57. The Board of Directors held its first meeting on July 9, 1975 and the first bonds were issued on March 9, 1979.

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

Reporting Entity

The District is a political subdivision of the State of Texas governed by a five-member Board of Directors appointed by the Fort Bend County Commissioners Court. The GASB has established the criteria for determining whether an entity is a primary government, a component unit of a primary government or a related organization. A primary government has a separate elected governing body is legally separate and is fiscally independent of other governments. Since the District does not have an elected governing board, it is not a primary government. While the County appoints the Directors of the District, it has no further accountability for the District. Under GASB’s criteria, the District is a related organization of the County for financial reporting purposes. Further, no other entities meet the criteria for inclusion in the District’s financial statements as component units.

Government-Wide and Fund Financial Statements

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

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

Fort Bend County Levee Improvement District No. 2
Notes to Financial Statements
September 30, 2024

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

Use of Restricted Resources

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

Fort Bend County Levee Improvement District No. 2
Notes to Financial Statements
September 30, 2024

Note 1 – Summary of Significant Accounting Policies (continued)

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At September 30, 2024, allowances of \$56,272 was provided for possible uncollectible property taxes.

Interfund Activity

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

Capital Assets

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

Depreciable capital assets, which primarily consist of flood control and drainage facilities, are depreciated using the straight-line method as follows:

<u>Assets</u>	<u>Useful Life</u>
Infrastructure	45 years
Building	30 years
Equipment	10 years

The District's levee system is considered improvements to land and are non-depreciable.

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Inflows and Outflows of Financial Resources

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

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

Deferred outflows of financial resources at the government-wide level are from a refunding bond transaction in which the amount required to repay the old debt exceeded the net carrying amount of the old debt. This amount is being amortized to interest expense.

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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

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

Fort Bend County Levee Improvement District No. 2
Notes to Financial Statements
September 30, 2024

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

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

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables and the useful lives and impairment of capital assets. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Fort Bend County Levee Improvement District No. 2
Notes to Financial Statements
September 30, 2024

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balances, governmental funds	\$ 12,215,257
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$ 147,846,067	
Less accumulated depreciation	<u>(21,549,538)</u>	
Change due to capital assets		126,296,529

The difference between the face amount of bonds refunded and the amount paid to the escrow agent is recorded as a deferred difference on refunding in the *Statement of Net Position* and amortized to interest expense. It is not recorded in the fund statements because it is not a financial resource.

149,635

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of bonds payable, net.

(79,847,456)

Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.

Property taxes receivable	176,433	
Penalty and interest receivable	<u>100,805</u>	
Change due to property taxes		277,238

Total net position - governmental activities	<u><u>\$ 59,091,203</u></u>
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Fort Bend County Levee Improvement District No. 2
Notes to Financial Statements
September 30, 2024

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

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

Net change in fund balances - total governmental funds	\$ (6,821,225)
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Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and related penalties and interest.

	(93,388)
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Governmental funds report capital outlays for construction costs as expenditures in the funds; however, in the *Statement of Activities*, the cost of capital assets is charged to expense over the estimated useful life of the asset.

Capital outlays	\$ 7,561,084	
Depreciation expense	(2,049,022)	
		5,512,062

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government-wide statements.

Principal payments	2,125,000	
Interest expense accrual	(4,529)	
		2,120,471

Change in net position of governmental activities	\$ 717,920
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Note 3 – Implementation of New Accounting Guidance

During the current fiscal year, the District implemented GASB Implementation Guide (“GASBIG”) 2021-1, Question 5.1, which requires the capitalization of the acquisition of a group of individual capital assets whose individual acquisition costs are less than the capitalization threshold when the cost of the acquisition of the assets in the aggregate is significant. This new guidance had no effect on the District’s financial statements during the current fiscal year.

Fort Bend County Levee Improvement District No. 2
Notes to Financial Statements
September 30, 2024

Note 4 – Deposits and Investments

Deposit Custodial Credit Risk

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

Investments

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

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

As of September 30, 2024, the District's investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexPool	General	\$ 7,685,325	AAAm	26 days
	Debt Service	3,302,102		
	Capital Projects	3,121,270		
		<u>\$ 14,108,697</u>		

Fort Bend County Levee Improvement District No. 2
Notes to Financial Statements
September 30, 2024

Note 4 – Deposits and Investments (continued)

TexPool

The District participates in TexPool, the Texas Local Government Investment Pool. The State Comptroller of Public Accounts exercises oversight responsibility of TexPool, which includes (1) the ability to significantly influence operations, (2) designation of management and (3) accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

As permitted by GAAP, TexPool uses amortized cost (which excludes unrealized gains and losses) rather than market value to compute share price and seeks to maintain a constant dollar value per share. Accordingly, the fair value of the District's position in TexPool is the same as the value of TexPool shares. Investments in TexPool may be withdrawn on a same day basis, as long as the transaction is executed by 3:30 p.m.

Investment Credit and Interest Rate Risk

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

Note 5 – Interfund Balances and Transactions

Amounts due to/from other funds at September 30, 2024, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
Debt Service	General	\$ 3,212	Amounts remitted in excess of maintenance tax collections

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

Fort Bend County Levee Improvement District No. 2
Notes to Financial Statements
September 30, 2024

Note 6 – Capital Assets

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

	Beginning Balances	Additions	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 24,809,934	\$ -	\$ 24,809,934
Construction in progress	46,680,859	7,561,084	54,241,943
	<u>71,490,793</u>	<u>7,561,084</u>	<u>79,051,877</u>
Capital assets being depreciated			
Infrastructure	56,020,506		56,020,506
Building	400,519		400,519
Equipment	12,373,165		12,373,165
	<u>68,794,190</u>		<u>68,794,190</u>
Less accumulated depreciation			
Infrastructure	(13,251,999)	(1,240,353)	(14,492,352)
Building	(146,861)	(13,351)	(160,212)
Equipment	(6,101,656)	(795,318)	(6,896,974)
	<u>(19,500,516)</u>	<u>(2,049,022)</u>	<u>(21,549,538)</u>
Subtotal depreciable capital assets, net	<u>49,293,674</u>	<u>(2,049,022)</u>	<u>47,244,652</u>
Capital assets, net	<u>\$ 120,784,467</u>	<u>\$ 5,512,062</u>	<u>\$ 126,296,529</u>

Depreciation expense for the current fiscal year was \$2,049,022.

Ditch H Expansion Project

On May 4, 2004, the District entered into a cost sharing agreement with the City of Sugar Land, Fort Bend County Drainage District, and Fort Bend County Levee Improvement District No. 17 to provide joint financing of the Ditch H expansion and improvement project. The District was designated as project manager by the parties to the agreement. Pursuant to the agreement, all participants deposited their pro-rata share of costs into a restricted interest-bearing account. Unspent funds received from other participants in the amount of \$50,159 are reported as Due to Other Governments.

The District has contractual commitments for construction projects as follows:

	Contract Amount	Paid To Date	Remaining Amount *
Third Storm Water Pump Station - Contract 3	\$ 34,245,999	\$ 33,599,574	\$ 646,425
Thelen Storm Water Pump Station Expansion	8,617,383	8,473,322	144,061
Ditch B and B-1 Improvements Project	4,686,496	3,942,711	743,785
Sound Mitigation-McDonald Pump Station	890,880	462,506	428,374
	<u>\$ 48,440,758</u>	<u>\$ 46,478,113</u>	<u>\$ 1,962,645</u>

* Includes retainage

Fort Bend County Levee Improvement District No. 2
Notes to Financial Statements
September 30, 2024

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 79,725,000
Unamortized premium	122,456
	<u>\$ 79,847,456</u>
Due within one year	<u>\$ 2,165,000</u>

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

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2012	\$ 2,095,000	\$ 15,000,000	2.0% - 2.5%	April 1, 2021 - 2032	April 1, October 1	April 1, 2019
2019	46,125,000	48,000,000	3.0% - 5.0%	April 1, 2020 - 2049	April 1, October 1	April 1, 2024
2020 Refunding	5,365,000	6,910,000	2.0% - 4.0%	April 1, 2021 - 2030	April 1, October 1	April 1, 2026
2020A	11,190,000	13,365,000	2.0% - 3.0%	April 1, 2021 - 2050	April 1, October 1	April 1, 2026
2021	14,950,000	16,635,000	1.0% - 3.0%	April 1, 2022 - 2050	April 1, October 1	April 1, 2026
	<u>\$ 79,725,000</u>					

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

At September 30, 2024, the District had authorized but unissued bonds in the amount of \$57,975,000 for flood control and drainage facilities and for refunding such bonds.

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

Bonds payable, beginning of year	\$ 81,850,000
Bonds retired	<u>(2,125,000)</u>
Bonds payable, end of year	<u>\$ 79,725,000</u>

Fort Bend County Levee Improvement District No. 2
Notes to Financial Statements
September 30, 2024

Note 7 – Long-Term Debt (continued)

The debt service payment due October 1 was made during the current fiscal year. The following schedule was prepared presuming this practice will continue. As of September 30, 2024, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2025	\$ 2,165,000	\$ 2,046,531	\$ 4,211,531
2026	2,485,000	1,977,006	4,462,006
2027	2,520,000	1,918,406	4,438,406
2028	2,565,000	1,866,606	4,431,606
2029	2,600,000	1,813,856	4,413,856
2030	2,650,000	1,760,081	4,410,081
2031	2,725,000	1,704,882	4,429,882
2032	2,770,000	1,648,073	4,418,073
2033	2,825,000	1,583,919	4,408,919
2034	2,890,000	1,511,647	4,401,647
2035	2,950,000	1,436,282	4,386,282
2036	3,015,000	1,358,432	4,373,432
2037	3,080,000	1,276,694	4,356,694
2038	3,150,000	1,190,994	4,340,994
2039	3,220,000	1,103,194	4,323,194
2040	3,290,000	1,013,294	4,303,294
2041	3,370,000	921,144	4,291,144
2042	3,445,000	826,669	4,271,669
2043	3,525,000	729,868	4,254,868
2044	3,610,000	630,593	4,240,593
2045	3,695,000	528,768	4,223,768
2046	3,780,000	424,143	4,204,143
2047	3,875,000	316,568	4,191,568
2048	3,970,000	206,143	4,176,143
2049	4,065,000	92,868	4,157,868
2050	1,490,000	17,759	1,507,759
	<u>\$ 79,725,000</u>	<u>\$ 29,904,420</u>	<u>\$ 109,629,420</u>

Note 8 – Property Taxes

On January 15, 1977, the voters of the District authorized the District's Board of Directors to levy taxes annually for in financing general operations limited to \$0.25 per \$100 of assessed value. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

Fort Bend County Levee Improvement District No. 2
Notes to Financial Statements
September 30, 2024

Note 8 – Property Taxes (continued)

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

Property taxes are collected based on rates adopted in the year of the levy. The District's 2024 fiscal year was financed through the 2023 tax levy, pursuant to which the District levied property taxes of \$0.125 per \$100 of assessed value, of which \$0.052 was allocated to maintenance and operations and \$0.073 was allocated to debt service. The resulting tax levy was \$7,704,051 on the adjusted taxable value of \$6,163,240,746.

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

Current year taxes receivable	\$ 43,981
Prior years taxes receivable	188,724
Less allowance for uncollectible accounts	<u>(56,272)</u>
	176,433
Penalty and interest receivable	<u>100,805</u>
Net property taxes receivable	<u><u>\$ 277,238</u></u>

Note 9 – City of Sugar Land Tax Increment Reinvestment Zone No. 1

The District lies wholly within the city limits of the City of Sugar Land (the "City"). By law, the City may designate a portion of land within its corporate limits as a Tax Increment Reinvestment Zone (TIRZ). In a TIRZ, the base taxable assessed value is established in the year that the TIRZ is created. Any incremental growth in taxable value over the base value is the tax increment. Each taxing jurisdiction within the TIRZ may elect to contribute all or a portion of its tax collections on the tax increment to the City for use in financing projects within the TIRZ. The City must develop a TIRZ project plan and limit the use of TIRZ revenues to financing projects included in the plan.

On December 1, 1998, the City established the City of Sugar Land Tax Increment Reinvestment Zone No. 1 (TIRZ 1), all of which lies within the boundaries of the District. The District agreed to contribute 100% of its tax increment revenues to the City for the life of TIRZ 1 or 26 years, whichever is less. During the current fiscal year, the District contributed \$344,602 to the City for TIRZ 1.

Note 10 – Risk Management

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

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Required Supplementary Information

Fort Bend County Levee Improvement District No. 2

Required Supplementary Information - Budgetary Comparison Schedule - General Fund

For the Year Ended September 30, 2024

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Property taxes	\$ 3,767,629	\$ 3,145,939	\$ (621,690)
Investment earnings	180,000	415,871	235,871
Total Revenues	3,947,629	3,561,810	(385,819)
Expenditures			
Operating and administrative			
Purchased services	1,500	2,671	(1,171)
Professional fees	315,400	458,674	(143,274)
Contracted services	1,298,051	1,159,132	138,919
Repairs and maintenance	1,272,381	1,161,346	111,035
Utilities	240,660	226,758	13,902
Administrative	213,460	217,169	(3,709)
Other	12,000	13,117	(1,117)
Total Expenditures	3,353,452	3,238,867	114,585
Revenues Over Expenditures	594,177	322,943	(271,234)
Fund Balance			
Beginning of the year	7,077,170	7,077,170	
End of the year	\$ 7,671,347	\$ 7,400,113	\$ (271,234)

Fort Bend County Levee Improvement District No. 2
Notes to Required Supplementary Information
September 30, 2024

Budgets and Budgetary Accounting

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

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Texas Supplementary Information

Fort Bend County Levee Improvement District No. 2
TSI-1. Services and Rates
September 30, 2024

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

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

2. Retail Service Providers N/A

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

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels
Water:	_____	_____	_____	_____	_____ to _____
Wastewater:	_____	_____	_____	_____	_____ to _____
Surcharge:	_____	_____	_____	_____	_____ to _____

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

Total charges per 10,000 gallons usage: Water _____ Wastewater _____

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered	_____	_____	x 1.0	_____
less than 3/4"	_____	_____	x 1.0	_____
1"	_____	_____	x 2.5	_____
1.5"	_____	_____	x 5.0	_____
2"	_____	_____	x 8.0	_____
3"	_____	_____	x 15.0	_____
4"	_____	_____	x 25.0	_____
6"	_____	_____	x 50.0	_____
8"	_____	_____	x 80.0	_____
10"	_____	_____	x 115.0	_____
Total Water	_____	_____		_____
Total Wastewater	_____	_____	x 1.0	_____

See accompanying auditor's report.

Fort Bend County Levee Improvement District No. 2
TSI-1. Services and Rates
September 30, 2024

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

Gallons pumped into system:	<u>N/A</u>	Water Accountability Ratio:
		(Gallons billed / Gallons pumped)
Gallons billed to customers:	<u>N/A</u>	<u>N/A</u>

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

Does the District have Debt Service standby fees? Yes ☐ No ☒

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

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

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

5. Location of District:

Is the District located entirely within one county? Yes ☒ No ☐

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

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

City(ies) in which the District is located: City of Sugar Land

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

Entirely ☐ Partly ☐ Not at all ☒

ETJs in which the District is located: _____

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

If Yes, by whom? Fort Bend County Commissioners Court

See accompanying auditor's report.

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

Purchased services	\$ 2,671
Professional fees	
Legal	274,677
Audit	22,000
Engineering	161,997
	<u>458,674</u>
Contracted services	
Bookkeeping	56,155
Operator	638,988
General manager	115,308
Construction manager	59,658
Environmental services	17,425
Security services	3,958
Lobbying services	34,645
Tax Assesor	85,065
Information technology services	147,930
	<u>1,159,132</u>
Repairs and maintenance	<u>1,161,346</u>
Utilities	<u>226,758</u>
Administrative	
Directors fees	17,396
Printing and office supplies	12,429
Insurance	155,645
Other	31,699
	<u>217,169</u>
Other	<u>13,117</u>
Total expenditures	<u><u>\$ 3,238,867</u></u>

See accompanying auditor's report.

Fort Bend County Levee Improvement District No. 2
TSI-3. Investments
September 30, 2024

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>
General			
TexPool	Variable	N/A	<u>\$ 7,685,325</u>
Debt Service			
TexPool	Variable	N/A	222,726
TexPool	Variable	N/A	<u>3,079,376</u>
			<u>3,302,102</u>
Capital Projects			
TexPool	Variable	N/A	798,951
TexPool	Variable	N/A	41,480
TexPool	Variable	N/A	<u>2,280,839</u>
			<u>3,121,270</u>
Total - All Funds			<u><u>\$ 14,108,697</u></u>

See accompanying auditor's report.

Fort Bend County Levee Improvement District No. 2
TSI-4. Taxes Levied and Receivable
September 30, 2024

	Maintenance Taxes	Debt Service Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 118,431	\$ 133,199	\$ 251,630	
Adjustments	(94,120)	(120,568)	(214,688)	
Adjusted Receivable	24,311	12,631	36,942	
2023 Original Tax Levy	3,223,707	4,525,589	7,749,296	
Adjustments	(18,822)	(26,423)	(45,245)	
Adjusted Tax Levy	3,204,885	4,499,166	7,704,051	
Total to be accounted for	3,229,196	4,511,797	7,740,993	
Tax collections:				
Current year	3,186,589	4,473,481	7,660,070	
Prior years	(40,650)	(54,860)	(95,510)	
Total Collections, net of refunds	3,145,939	4,418,621	7,564,560	
Taxes Receivable, End of Year	\$ 83,257	\$ 93,176	\$ 176,433	
Taxes Receivable, By Years				
2023	\$ 18,296	\$ 25,685	\$ 43,981	
2022	12,210	15,812	28,022	
2021	8,832	12,741	21,573	
2020 and prior	43,919	38,938	82,857	
Taxes Receivable, End of Year	\$ 83,257	\$ 93,176	\$ 176,433	
	2023	2022	2021	2020
Property Valuations:				
Land	\$ 1,216,090,740	\$ 1,199,520,742	\$ 1,138,538,311	\$ 1,124,166,801
Improvements	5,612,096,447	4,899,369,298	4,367,437,777	4,232,267,553
Personal Property	341,625,614	306,298,750	309,528,544	333,023,562
Exemptions	(1,006,572,055)	(847,321,608)	(698,989,357)	(600,162,502)
Total Property Valuations	\$ 6,163,240,746	\$ 5,557,867,182	\$ 5,116,515,275	\$ 5,089,295,414
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.052	\$ 0.061	\$ 0.061	\$ 0.056
Debt service tax rates	0.073	0.079	0.088	0.093
Total Tax Rates per \$100 Valuation	\$ 0.125	\$ 0.140	\$ 0.149	\$ 0.149
Adjusted Tax Levy:	\$ 7,704,051	\$ 7,781,014	\$ 7,623,608	\$ 7,583,050
Percentage of Taxes Collected to Taxes Levied **	99.43%	99.64%	99.72%	99.67%

* Maximum Maintenance Tax Rate Approved by Voters: \$0.25 on January 15, 1977

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

See accompanying auditor's report.

Fort Bend County Levee Improvement District No. 2
TSI-5. Long-Term Debt Service Requirements
Series 2012--by Years
September 30, 2024

Due During Fiscal Years Ending	Principal Due April 1	Interest Due April 1, October 1	Total
2025	\$ -	\$ 41,900	\$ 41,900
2026		41,900	41,900
2027		41,900	41,900
2028		41,900	41,900
2029		41,900	41,900
2030		41,900	41,900
2031	1,025,000	31,650	1,056,650
2032	1,070,000	10,700	1,080,700
	<u>\$ 2,095,000</u>	<u>\$ 293,750</u>	<u>\$ 2,388,750</u>

See accompanying auditor's report.

Fort Bend County Levee Improvement District No. 2
TSI-5. Long-Term Debt Service Requirements
Series 2019--by Years
September 30, 2024

Due During Fiscal Years Ending	Principal Due April 1	Interest Due April 1, October 1	Total
2025	\$ 375,000	\$ 1,378,125	\$ 1,753,125
2026	375,000	1,366,875	1,741,875
2027	660,000	1,351,350	2,011,350
2028	680,000	1,331,250	2,011,250
2029	690,000	1,310,700	2,000,700
2030	715,000	1,289,625	2,004,625
2031	725,000	1,268,025	1,993,025
2032	725,000	1,246,275	1,971,275
2033	1,850,000	1,207,650	3,057,650
2034	1,915,000	1,151,175	3,066,175
2035	1,975,000	1,092,825	3,067,825
2036	2,040,000	1,032,600	3,072,600
2037	2,105,000	970,425	3,075,425
2038	2,175,000	906,225	3,081,225
2039	2,245,000	839,925	3,084,925
2040	2,315,000	771,525	3,086,525
2041	2,395,000	700,875	3,095,875
2042	2,470,000	627,900	3,097,900
2043	2,550,000	552,600	3,102,600
2044	2,635,000	474,825	3,109,825
2045	2,720,000	394,500	3,114,500
2046	2,805,000	311,625	3,116,625
2047	2,900,000	226,050	3,126,050
2048	2,995,000	137,625	3,132,625
2049	3,090,000	46,350	3,136,350
	<u>\$ 46,125,000</u>	<u>\$ 21,986,925</u>	<u>\$ 68,111,925</u>

See accompanying auditor's report.

Fort Bend County Levee Improvement District No. 2
TSI-5. Long-Term Debt Service Requirements
Series 2020 Refunding--by Years
September 30, 2024

Due During Fiscal Years Ending	Principal Due April 1	Interest Due April 1, October 1	Total
2025	\$ 815,000	\$ 107,300	\$ 922,300
2026	860,000	82,400	942,400
2027	885,000	64,950	949,950
2028	910,000	47,000	957,000
2029	935,000	28,550	963,550
2030	960,000	9,600	969,600
	<u>\$ 5,365,000</u>	<u>\$ 339,800</u>	<u>\$ 5,704,800</u>

See accompanying auditor's report.

Fort Bend County Levee Improvement District No. 2
TSI-5. Long-Term Debt Service Requirements
Series 2020A--by Years
September 30, 2024

Due During Fiscal Years Ending	Principal Due April 1	Interest Due April 1, October 1	Total
2025	\$ 400,000	\$ 264,769	\$ 664,769
2026	675,000	248,644	923,644
2027	400,000	234,519	634,519
2028	400,000	226,519	626,519
2029	400,000	218,519	618,519
2030	400,000	210,519	610,519
2031	400,000	202,519	602,519
2032	400,000	194,519	594,519
2033	400,000	186,519	586,519
2034	400,000	178,269	578,269
2035	400,000	169,519	569,519
2036	400,000	160,519	560,519
2037	400,000	151,019	551,019
2038	400,000	141,019	541,019
2039	400,000	131,019	531,019
2040	400,000	121,019	521,019
2041	400,000	111,019	511,019
2042	400,000	101,019	501,019
2043	400,000	91,018	491,018
2044	400,000	81,018	481,018
2045	400,000	71,018	471,018
2046	400,000	60,768	460,768
2047	400,000	50,268	450,268
2048	400,000	39,768	439,768
2049	400,000	29,268	429,268
2050	915,000	12,009	927,009
	<u>\$ 11,190,000</u>	<u>\$ 3,686,602</u>	<u>\$ 14,876,602</u>

See accompanying auditor's report.

Fort Bend County Levee Improvement District No. 2
TSI-5. Long-Term Debt Service Requirements
Series 2021--by Years
September 30, 2024

Due During Fiscal Years Ending	Principal Due April 1	Interest Due April 1, October 1	Total
2025	\$ 575,000	\$ 254,437	\$ 829,437
2026	575,000	237,187	812,187
2027	575,000	225,687	800,687
2028	575,000	219,937	794,937
2029	575,000	214,187	789,187
2030	575,000	208,437	783,437
2031	575,000	202,688	777,688
2032	575,000	196,579	771,579
2033	575,000	189,750	764,750
2034	575,000	182,203	757,203
2035	575,000	173,938	748,938
2036	575,000	165,313	740,313
2037	575,000	155,250	730,250
2038	575,000	143,750	718,750
2039	575,000	132,250	707,250
2040	575,000	120,750	695,750
2041	575,000	109,250	684,250
2042	575,000	97,750	672,750
2043	575,000	86,250	661,250
2044	575,000	74,750	649,750
2045	575,000	63,250	638,250
2046	575,000	51,750	626,750
2047	575,000	40,250	615,250
2048	575,000	28,750	603,750
2049	575,000	17,250	592,250
2050	575,000	5,750	580,750
	<u>\$ 14,950,000</u>	<u>\$ 3,597,343</u>	<u>\$ 18,547,343</u>

See accompanying auditor's report.

Fort Bend County Levee Improvement District No. 2
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
September 30, 2024

Due During Fiscal Years Ending	Principal Due April 1	Interest Due April 1, October 1	Total
2025	\$ 2,165,000	\$ 2,046,531	\$ 4,211,531
2026	2,485,000	1,977,006	4,462,006
2027	2,520,000	1,918,406	4,438,406
2028	2,565,000	1,866,606	4,431,606
2029	2,600,000	1,813,856	4,413,856
2030	2,650,000	1,760,081	4,410,081
2031	2,725,000	1,704,882	4,429,882
2032	2,770,000	1,648,073	4,418,073
2033	2,825,000	1,583,919	4,408,919
2034	2,890,000	1,511,647	4,401,647
2035	2,950,000	1,436,282	4,386,282
2036	3,015,000	1,358,432	4,373,432
2037	3,080,000	1,276,694	4,356,694
2038	3,150,000	1,190,994	4,340,994
2039	3,220,000	1,103,194	4,323,194
2040	3,290,000	1,013,294	4,303,294
2041	3,370,000	921,144	4,291,144
2042	3,445,000	826,669	4,271,669
2043	3,525,000	729,868	4,254,868
2044	3,610,000	630,593	4,240,593
2045	3,695,000	528,768	4,223,768
2046	3,780,000	424,143	4,204,143
2047	3,875,000	316,568	4,191,568
2048	3,970,000	206,143	4,176,143
2049	4,065,000	92,868	4,157,868
2050	1,490,000	17,759	1,507,759
	<u>\$ 79,725,000</u>	<u>\$ 29,904,420</u>	<u>\$ 109,629,420</u>

See accompanying auditor's report.

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Fort Bend County Levee Improvement District No. 2
TSI-6. Change in Long-Term Bonded Debt
September 30, 2024

	Bond Issue			
	Series 2012	Series 2019	Series 2020 Refunding	Series 2020A
Interest rate	2.0% - 2.5%	3.0% - 5.0%	2.0% - 4.0%	2.0% - 3.0%
Dates interest payable	4/1; 10/1	4/1; 10/1	4/1; 10/1	4/1; 10/1
Maturity dates	4/1/21 - 4/1/32	4/1/20 - 4/1/49	4/1/21 - 4/1/30	4/1/21 - 4/1/50
Beginning bonds outstanding	\$ 2,095,000	\$ 46,500,000	\$ 6,140,000	\$ 11,590,000
Bonds retired		(375,000)	(775,000)	(400,000)
Ending bonds outstanding	<u>\$ 2,095,000</u>	<u>\$ 46,125,000</u>	<u>\$ 5,365,000</u>	<u>\$ 11,190,000</u>
Interest paid during fiscal year	<u>\$ 41,900</u>	<u>\$ 1,393,125</u>	<u>\$ 139,100</u>	<u>\$ 276,769</u>
Paying agent's name and city				
All Series	<u>Bank of New York Mellon Trust Company, N.A., Dallas, TX</u>			
	Levee and Drainage Bonds and Refunding	Refunding Bonds		
Bond Authority:				
Amount Authorized by Voters	\$ 189,720,000	\$ 4,770,000		
Amount Issued	(131,745,000)	(4,770,000)		
Remaining To Be Issued	<u>\$ 57,975,000</u>	<u>\$ -</u>		

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

Debt Service Fund cash and investment balances as of September 30, 2024:	<u>\$ 3,355,544</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:	<u>\$ 4,216,516</u>

See accompanying auditor's report.

<u>Bond Issue</u>	
<u>Series 2021</u>	<u>Totals</u>
1.0% - 3.0%	
4/1; 10/1	
4/1/22 - 4/1/50	
\$ 15,525,000	\$ 81,850,000
<u>(575,000)</u>	<u>(2,125,000)</u>
<u>\$ 14,950,000</u>	<u>\$ 79,725,000</u>
<u>\$ 271,687</u>	<u>\$ 2,122,581</u>

Fort Bend County Levee Improvement District No. 2
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2024	2023	2022	2021	2020
Revenues					
Property taxes	\$ 3,145,939	\$ 3,378,571	\$ 3,124,171	\$ 2,867,921	\$ 2,833,607
FEMA grants			2,032		1,663
Miscellaneous			160	823	
Investment earnings	415,871	342,842	47,576	3,024	70,715
Total Revenues	<u>3,561,810</u>	<u>3,721,413</u>	<u>3,173,939</u>	<u>2,871,768</u>	<u>2,905,985</u>
Expenditures					
Operating and administrative					
Purchased services	2,671	1,879	640	8,360	432
Professional fees	458,674	308,625	347,824	302,051	290,660
Contracted services	1,159,132	1,086,698	976,672	875,079	1,032,169
Repairs and maintenance	1,161,346	980,035	879,970	672,826	971,685
Utilities	226,758	221,129	197,976	64,651	59,853
Administrative	217,169	176,981	160,953	140,757	118,885
Other	13,117	7,235	32,862	11,884	1,099
Capital outlay			197,921	686,781	3,492,488
Total Expenditures	<u>3,238,867</u>	<u>2,782,582</u>	<u>2,794,818</u>	<u>2,762,389</u>	<u>5,967,271</u>
Revenues Over/(Under) Expenditures	<u>\$ 322,943</u>	<u>\$ 938,831</u>	<u>\$ 379,121</u>	<u>\$ 109,379</u>	<u>\$ (3,061,286)</u>

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2024	2023	2022	2021	2020
88%	91%	99%	100%	98%
		*		*
		*	*	
12%	9%	1%	*	2%
100%	100%	100%	100%	100%
*	*	*	*	*
13%	8%	11%	11%	10%
33%	29%	31%	30%	36%
33%	26%	28%	23%	33%
6%	6%	6%	2%	2%
6%	5%	5%	5%	4%
*	*	1%	*	*
		6%	24%	120%
91%	74%	88%	95%	205%
9%	26%	12%	5%	(105%)

Fort Bend County Levee Improvement District No. 2

TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund

For the Last Five Fiscal Years

	Amounts				
	2024	2023	2022	2021	2020
Revenues					
Property taxes	\$ 4,418,620	\$ 4,370,385	\$ 4,516,416	\$ 4,802,599	\$ 4,673,827
Penalties and interest	51,564	54,629	65,527	77,515	63,370
Investment earnings	227,510	181,083	28,446	2,006	28,413
Total Revenues	4,697,694	4,606,097	4,610,389	4,882,120	4,765,610
Expenditures					
Tax collection services	1,157	152,229	196,242	178,652	169,713
TIRZ participation	344,602	377,162	325,754	296,854	281,620
Debt service					
Principal	2,125,000	2,080,000	2,040,000	2,065,000	1,035,000
Interest and fees	2,125,881	2,199,031	2,270,044	2,182,519	1,881,706
Debt issuance costs					211,723
Total Expenditures	4,596,640	4,808,422	4,832,040	4,723,025	3,579,762
Revenues Over/(Under) Expenditures	\$ 101,054	\$ (202,325)	\$ (221,651)	\$ 159,095	\$ 1,185,848

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2024	2023	2022	2021	2020
94%	95%	98%	98%	98%
1%	1%	1%	2%	1%
5%	4%	1%	*	1%
100%	100%	100%	100%	100%
*	3%	4%	4%	4%
7%	8%	7%	6%	6%
45%	45%	44%	42%	22%
45%	48%	49%	45%	39%
				4%
97%	104%	104%	97%	75%
3%	(4%)	(4%)	3%	25%

Fort Bend County Levee Improvement District No. 2
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended September 30, 2024

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, TX 77027
District Business Telephone Number: (713) 860-6400
Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): September 19, 2024
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
(Set by Board Resolution -- TWC Section 49.060)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Rashid Khokhar	9/23 to 9/27	\$ 3,978	\$ -	President
Sam Galyon	9/23 to 9/27	3,094		Vice President
Jeffrey C. Wiley	7/24 to 7/28	5,904		Assistant Vice President
Michael Siwierka	4/22 to 4/26	1,768		Secretary
Upendra Sahu	7/24 to 7/28	2,652		Assistant Secretary
Consultants				
		Amounts Paid		
Allen Boone Humphries Robinson LLP	2003	\$ 180,070		Attorney
LID Solutions	2017	1,520,220		Operator
Storm Water Solutions	2013	13,485		Storm Water Consultant
McLennan & Associates	2004	59,933		Bookkeeper
Fort Bend County Tax Office	2023	6,497		Tax Collector
Fort Bend Central Appraisal District	Legislation	78,626		Property Valuation
Perdue, Brandon, Fielder, Collins, & Mott, L.L.P.	1990			Delinquent Tax Attorney
LJA Engineering, Inc.	2018	350,105		Engineer
McGrath & Co., PLLC	2009	22,000		Auditor
Masterson Advisors, LLC	2018			Financial Advisor
Mike Stone Associates	2005	189,736		Construction/General Manager

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