

OFFICIAL STATEMENT DATED JANUARY 21, 2026

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

THE DISTRICT HAS **NOT** DESIGNATED THE BONDS AS “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS. SEE “TAX MATTERS—NOT QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS” HEREIN.

NEW ISSUE-Book-Entry Only

Insured Rating (BAM): S&P “AA” (stable)
 Underlying Rating: Moody’s “Baa2”
 See “MUNICIPAL BOND RATING” and
 “MUNICIPAL BOND INSURANCE” herein.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 26
(A political subdivision of the State of Texas located within Fort Bend County)
\$12,550,000
UNLIMITED TAX BONDS
SERIES 2026

Dated Date: February 1, 2026

Due: March 1, as shown below

Interest Accrual Date: Date of Delivery

The \$12,550,000 Unlimited Tax Bonds, Series 2026 (the “Bonds”) are obligations solely of the District and are not obligations of the State of Texas, Fort Bend County, the City of Missouri City or any entity other than the District.

The Bonds will be issued in fully registered form only, in denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity. Principal of the Bonds will be payable at stated maturity or redemption upon presentation of the Bonds at the principal payment office of the paying agent/registrars, initially, The Bank of New York Mellon Trust Company, N.A., Houston, Texas (the “Paying Agent/Registrar”). Interest accrues from the initial date of delivery (expected to be on or about February 24, 2026) (the “Date of Delivery”) and is payable September 1, 2026, and each March 1 and September 1 thereafter until the earlier of maturity or redemption on the basis of a 360 day year of twelve 30 day months. The Bonds are subject to redemption prior to maturity as described 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/Registrar directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. See “THE BONDS—Book-Entry-Only System.”



The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY. See “MUNICIPAL BOND INSURANCE” herein.

MATURITY SCHEDULE

Due (March 1)	Principal Amount	Interest Rate	Initial		Due (March 1)	Principal Amount (a)	Interest Rate	Initial	
			Reoffering Yield (a)	CUSIP Number (c)				Reoffering Yield (a)	CUSIP Number (c)
2028	\$ 235,000	6.500%	2.82%	346800 JC0	2040	\$ 450,000 (b)	4.000%	4.08%	346800 JQ9
2029	250,000	6.500%	2.82%	346800 JD8	2041	470,000 (b)	4.000%	4.16%	346800 JR7
2030	260,000	6.500%	2.87%	346800 JE6	2042	500,000 (b)	4.125%	4.23%	346800 JS5
2031	275,000	6.500%	2.92%	346800 JF3	2043	525,000 (b)	4.125%	4.30%	346800 JT3
2032	290,000	6.500%	2.97%	346800 JG1	2044	555,000 (b)	4.125%	4.37%	346800 JU0
2033	310,000 (b)	6.500%	3.02%	346800 JH9	2045	585,000 (b)	4.125%	4.44%	346800 JV8
2034	325,000 (b)	6.500%	3.12%	346800 JJ5	2046	615,000 (b)	4.125%	4.50%	346800 JW6
2035	340,000 (b)	4.000%	3.35%	346800 JK2	2047	1,000,000 (b)	4.125%	4.55%	346800 JX4
2036	360,000 (b)	4.000%	3.50%	346800 JL0	2048	1,000,000 (b)	4.250%	4.60%	346800 JY2
2037	380,000 (b)	4.000%	3.65%	346800 JM8	2049	1,000,000 (b)	4.250%	4.65%	346800 JZ9
2038	400,000 (b)	4.000%	3.80%	346800 JN6	2050	1,000,000 (b)	4.250%	4.70%	346800 KA2
2039	425,000 (b)	4.000%	4.00%	346800 JP1	2051	1,000,000 (b)	4.250%	4.71%	346800 KB0

- (a) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Initial Purchaser 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 to maturity or to the first call date.
- (b) The Bonds maturing on or after March 1, 2033 are subject to redemption prior to maturity at the option of the District, in whole or, from time to time in part, on March 1, 2032, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. See “THE BONDS—Redemption Provisions.”
- (c) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services and will be 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.

The Bonds, when issued, will constitute valid and legally binding obligations of Fort Bend County Municipal Utility District No. 26 (the “District”) and will be 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 located within the District. The Bonds are subject to special investment risks described herein. See “INVESTMENT CONSIDERATIONS.”

The Bonds are offered by the Initial Purchaser (as herein defined) 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 Smith, Murdaugh, Little & Bonham, L.L.P., Bond Counsel. Delivery of the Bonds through DTC is expected on or about February 24, 2026.

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USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or 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, orders, resolutions, 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 Smith, Murdaugh, Little & Bonham, L.L.P., 2727 Allen Parkway, Suite 1100, Houston, Texas 77019, 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."

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this OFFICIAL STATEMENT or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "MUNICIPAL BOND INSURANCE" and "APPENDIX B—Specimen Municipal Bond Insurance Policy."

OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT

Description... The District, located in Fort Bend County, Texas, is a political subdivision of the State of Texas created by the Texas Water Commission, predecessor to the Texas Commission on Environmental Quality (the “TCEQ” or “Commission”) on June 28, 1978. The District contains approximately 564 acres of land. The District operates pursuant to Chapters 49 and 54, Texas Water Code, as amended. See “THE DISTRICT” and “AERIAL PHOTOGRAPH.”

Location... The District is located in Fort Bend County, approximately 17 miles southwest of downtown Houston and wholly within the corporate city limits of Missouri City, Texas. The District is intersected by FM 2234 (Texas Parkway) and Cartwright Road and is approximately five (5) miles south of the Wilcrest/Murphy Road exit on U.S. 59.

Status of Development... Development within the District includes the residential subdivisions of Quail Green West, Quail Green, Quail Green South, Bradford Village, Pebble Brook, Mustang Trails, Fieldcrest, and Arcadia comprising 1,853 single-family residential lots on approximately 391 acres. As of November 30, 2025, there were 1,837 completed and occupied homes and 16 vacant homes. The 2025 average home value in the District was approximately \$254,094.

The Gala at Texas Parkway, an 86 unit senior living apartment complex, has been constructed on approximately 8 acres of land. The Jubilee at Texas Parkway, an 82 unit senior living apartment complex, has been constructed on approximately 6 acres of land.

Approximately 53 acres of land have been developed for commercial purposes, including a Wells Fargo Bank, a KFC restaurant, a Pizza Hut restaurant, an Auto Zone, a Valero service station and convenience store, a CVS drug store, a Foodarama grocery store with an adjacent strip shopping center, a Wing Stop restaurant, the 7Spice Seafood Kitchen restaurant, a Dollar Tree store, a Family Dollar Store, a furniture store, several hair and nail salons, Auto Max, Hartz Chicken restaurant, 2 dry cleaners, a liquor store and a McDonald’s Restaurant.

In addition to the development described above, the District has approximately 17 developable acres remaining to be developed, 18 acres of land contained in a Missouri City park, 3 acres of other recreational land, 1 acre used for a Missouri City Fire Station and 9 acres owned by a church. The fire station and church are exempt from ad valorem taxation. There are approximately 58 undevelopable acres that are easements, right of ways, streets or plant sites and are undevelopable. See “THE DISTRICT” and “STATUS OF DEVELOPMENT IN THE DISTRICT.”

THE FINANCING

The Issuer... Fort Bend County Municipal Utility District No. 26 (the “District”), a political subdivision of the State of Texas, located in Fort Bend County, Texas. See “THE DISTRICT.”

The Issue... \$12,550,000 Unlimited Tax Bonds, Series 2026 (the “Bonds”) are issued pursuant to an order (the “Bond Order”) of the District’s Board of Directors. The Bonds mature serially on March 1 in each year 2028 through 2051, both inclusive, in the principal amounts set forth on the cover page of this OFFICIAL STATEMENT. Interest on the Bonds will accrue from the date of delivery, expected to be February 24, 2026 (the “Date of Delivery”), with interest payable September 1, 2026 and each March 1 and September 1 thereafter until maturity. The Bonds maturing on March 1, 2033 are subject to optional redemption, in whole or, from time to time in part, on March 1, 2032, or on any date thereafter, at a price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption. See “THE BONDS.”

<i>Book-Entry-Only System ...</i>	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “THE BONDS—Book-Entry-Only System.”
<i>Authority for Issuance ...</i>	The Bonds are the eighth series of bonds issued out of an aggregate of \$90,559,688 principal amount of unlimited tax bonds for purposes of construction and acquisition of water, sanitary sewer and drainage facilities and for refunding such bonds authorized by the District’s voters at multiple elections held in the District. After issuance of the Bonds, the District will have \$25,329,688 principal amount of unlimited tax bonds authorized but unissued for purposes of construction and acquisition of water, sanitary sewer and drainage facilities. The Bonds are being issued pursuant to an order of the TCEQ, Article XVI, Section 59 of the Constitution of Texas, Chapters 49 and 54 of the Texas Water Code, as amended, and the Bond Order of the Board of Directors (the “Board”) of the District authorizing the issuance of the Bonds. See “THE BONDS—Authority for Issuance and Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS—Future Debt.”
<i>Source of Payment ...</i>	The Bonds are payable from a continuing direct annual ad valorem tax, without legal limit as to rate or amount, levied against all taxable property 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 Missouri City or any entity other than the District. See “THE BONDS—Source of Payment.”
<i>Use of Proceeds...</i>	Proceeds from sale of the Bonds will be used to finance (1) Arcadia Section 1, Water, Wastewater and Drainage; (2) Arcadia Detention Facilities, Phase 1 and 2; (3) Drainage Study for Arcadia; (4) Water Wastewater Treatment Plant Rehabilitation and Improvements; (5) Water and Wastewater Capacity Fees; (6) Land Costs for Detention Ponds A and B; (7) Easement Acquisition Costs; (8) Engineering, Testing and Storm Water Pollution Prevention Plan; and (9) Contingencies. In addition, Bond proceeds will also be used to pay certain costs associated with the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”
<i>Payment Record ...</i>	The District has previously issued seven series of unlimited tax bonds and five series of unlimited tax refunding bonds, \$33,070,000 principal amount of which remains outstanding as of December 15, 2025 (the “Outstanding Bonds”). The District has never defaulted in the payment of principal of and interest on the Outstanding Bonds.
<i>NOT Qualified Tax-Exempt Obligations ...</i>	The Bonds have not been designated as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986. See “TAX MATTERS—Not Qualified Tax-Exempt Obligations for Finance Institutions.”
<i>Municipal Bond Rating and Municipal Bond Insurance...</i>	S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) has assigned a municipal bond rating of “AA” (stable outlook) to this issue of Bonds with the understanding that, upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company (“BAM”). Moody’s Investors Service, Inc. (“Moody’s”) has assigned an underlying rating of “Baa2” to the Bonds. An explanation of the ratings may be obtained from S&P and Moody’s. See “MUNICIPAL BOND RATING” and “MUNICIPAL BOND INSURANCE.” See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance.”
<i>Bond Counsel ...</i>	Smith, Murdaugh, Little & Bonham, L.L.P., Bond Counsel, Houston, Texas.
<i>Financial Advisor ...</i>	Masterson Advisors LLC, Houston, Texas.
<i>Disclosure Counsel ...</i>	McCall, Parkhurst & Horton L.L.P., Disclosure Counsel, Houston, Texas.
<i>Investment Considerations ...</i>	The purchase and ownership of the Bonds are subject to special investment considerations, and all prospective purchasers are urged to examine carefully the entire Official Statement for a discussion of investment risks, including particularly the section captioned “INVESTMENT CONSIDERATIONS.”

SELECTED FINANCIAL INFORMATION

2024 Certified Taxable Assessed Valuation	\$472,915,488 (a)
2025 Taxable Assessed Valuation	\$533,137,995 (b)
Gross Debt Outstanding (after the issuance of the Bonds)	\$45,620,000
Estimated Overlapping Debt.....	<u>32,652,917</u> (c)
Gross Debt and Estimated Overlapping Debt.....	\$78,272,917
Ratio of Gross Debt to:	
2025 Taxable Assessed Valuation	8.56%
Ratio of Gross Debt and Estimated Overlapping Debt to:	
2025 Taxable Assessed Valuation	14.68%
Debt Service Fund Balance as of December 17, 2025	\$ 4,814,611 (d)
Operating Fund Balance as of December 17, 2025.....	\$ 1,772,980
Construction Fund Balance as of December 17, 2025	\$10,680,946 (e)
2025 Debt Service Tax Rate	\$0.55502
2025 Maintenance Tax Rate	<u>0.15000</u>
2025 Total Tax Rate	\$0.70502/\$100 A.V.
Average Annual Debt Service Requirements (2026-2051) of the Bonds (“Average Requirement”)	\$2,492,856 (f)
Maximum Annual Debt Service Requirement (2028) of the Bonds (“Maximum Requirement”).....	\$2,868,119 (f)
Tax Rate Required to Pay Average Requirement (2026-2051) at a 95% Collection Rate Based upon 2025 Taxable Assessed Valuation	\$0.50/\$100 A.V.
Tax Rate Required to Pay Maximum Requirement (2028) at a 95% Collection Rate Based upon 2025 Taxable Assessed Valuation	\$0.57/\$100 A.V.
Water and Sewer Connections as of November 30, 2025 (g):	
Completed Homes – Occupied	1,837
Completed Homes – Vacant	16
Homes under construction or in a builder’s name	0
Vacant Developed Lots	0
Commercial Connections	39
Multi-Family (168 units)	2

Estimated 2025 Population – 6,766 (h)

- (a) As certified by the Fort Bend Central Appraisal District (the “Appraisal District”).
- (b) The Appraisal District has certified \$532,733,176 of taxable value as of January 1, 2025. According to the Appraisal District, there are properties remaining uncertified totaling \$476,258. The above listed assessed valuation includes 85% of the uncertified value for an estimated uncertified value of \$404,819. See “TAX PROCEDURES.”
- (c) See “ESTIMATED OVERLAPPING DEBT STATEMENT.”
- (d) Unaudited. The District is not required to maintain a particular fund balance.
- (e) Includes funds from the Series 2020, Series 2021 and Series 2022 Bonds not yet spent, including Water Plant No. 1 rehabilitation and upgrade, wastewater treatment plant rehabilitation, wastewater system rehabilitation and Water Plant No. 2 improvements.
- (f) See “DEBT SERVICE REQUIREMENTS.”
- (g) See “STATUS OF DEVELOPMENT IN THE DISTRICT.”
- (h) Based upon 3.5 persons per occupied home and 2.0 persons per multi-family unit.

OFFICIAL STATEMENT

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 26 (A political subdivision of the State of Texas located within Fort Bend County)

\$12,550,000 UNLIMITED TAX BONDS SERIES 2026

This Official Statement provides certain information in connection with the issuance by Fort Bend County Municipal Utility District No. 26 (the “District”) of its \$12,550,000 Unlimited Tax Bonds, Series 2026 (the “Bonds.”)

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas, an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the Board of Directors of the District (the “Board”), an order of the Texas Commission on Environmental Quality (the “TCEQ” or the “Commission”) and elections held within the District.

This Official Statement includes descriptions, among others, of the Bonds and the Bond Order, and certain other information about the District, and development activity within the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of such documents may be obtained from the District upon payment of the costs of duplication therefor from Smith, Murdaugh, Little & Bonham, L.L.P., Bond Counsel, 2727 Allen Parkway, Suite 1100, Houston, Texas 77019.

THE BONDS

Description

The Bonds are dated February 1, 2026, and will accrue interest from the initial date of delivery (expected to be on or about February 24, 2026) (the “Date of Delivery”) with interest payable each March 1 and September 1 (each an “Interest Payment Date”), beginning September 1, 2026, and mature on the dates and in the amounts and pay interest at the rates shown on the cover page hereof. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Initially, principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “Book-Entry-Only System” herein.

In the event the Book-Entry-Only System is discontinued, interest on the Bonds shall be payable by check on or before each interest payment date, mailed by the Paying Agent/Registrar to the registered owners (“Registered Owners”) as shown on the bond register (the “Register”) kept by the Paying Agent/Registrar at the close of business on the 15th calendar day of the month immediately preceding each interest payment date to the address of such Registered Owner as shown on the Register, or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

Book-Entry-Only System

The information in this section concerning DTC 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 are on file with DTC.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 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+" from 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 effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to 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).

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or 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 information in this section concerning DTC 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 thereof.

Use of Certain Terms in Other Sections of this Official Statement

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

Registration, Transfer and Exchange

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 Bond Order. While the Bonds are in the Book-Entry-Only system, Bonds will be registered only in the name of Cede & Co and held by DTC. See "Book-Entry-Only System."

In the event the Book-Entry-Only System should be discontinued, Bonds shall be transferable only upon the presentation and surrender of such Bond at the principal payment office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond in proper form for transfer, the Paying Agent/Registrar has been directed by the District to authenticate and deliver in exchange therefor, within three (3) business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and paying interest at the same rate as the Bond or Bonds so presented. All Bonds shall be exchangeable upon presentation and surrender thereof at the principal payment office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar is authorized to authenticate and deliver exchange Bonds. Each Bond delivered shall be entitled to the benefits and security of the Bond Order to the same extent as the Bond or Bonds in lieu of which such Bond is delivered. Neither the District nor the Paying Agent/Registrar shall be required to transfer or to exchange any Bond during the period beginning on the 15th calendar day of the month next preceding an Interest Payment Date and ending on the next succeeding Interest Payment Date or to transfer or exchange any Bond called for redemption during the thirty (30) day period prior to the date fixed for redemption of such Bond. The District or the Paying Agent/Registrar may require the Registered Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange shall be paid by the District. The provisions of this paragraph are subject to the Book-Entry-Only System.

Paying Agent/Registrar

The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., in Houston, Texas. In the Bond Order the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid, and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each Registered Owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Source of Payment

The Bonds, when issued, will constitute valid and binding obligations of the District and are payable as to principal and interest from and are secured by the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. Tax proceeds, after deduction for collection costs, will be placed in the Debt Service Fund (as defined in the Bond Order) and used solely to pay principal of and interest on the Bonds, the Outstanding Bonds, and on any additional bonds issued by the District payable from taxes which may be levied. In the Bond Order, 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 solely of the District and are not obligations of Fort Bend County, Texas, the City of Missouri City, the State of Texas or any political subdivision or entity other than the District.

Funds

In the Bond Order, the Debt Service Fund is confirmed. The Debt Service Fund is to be kept separate from all other funds of the District and used for payment of debt service on the Outstanding Bonds, the Bonds and any of the District's duly authorized additional bonds, together with interest thereon, as such becomes due. Amounts on deposit in the Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, and to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any additional bonds.

The proceeds from sale of the Bonds including interest earnings thereon, will be deposited into the Capital Projects Fund to be used for the purpose of acquiring and constructing District facilities and for paying the costs of issuing the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS" for a more complete description of the use of proceeds.

The Bond Order also confirms the previous establishment of the District's General Fund. The District deposits, as collected, all revenues derived from operation of the District's water and wastewater system and from maintenance taxes into the General Fund. From the General Fund, the District pays all administration, operation, and maintenance expenses of the water and wastewater system and the District's storm drainage system, and recreational facilities in the District. Any funds remaining in the General Fund after payment of maintenance and operating expenses may be used by the District for any lawful purposes.

Mutilated, 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 therefore a replacement Bond of like series, maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, 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 series, 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.

If, after the delivery of such replacement Bond, a bona fide purchaser of the original Bond in lieu of which such replacement Bond was issued presents for payment such original Bond, the District and Registrar shall be entitled to recover such replacement Bond from the person to whom it was delivered or any person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the District or the Paying Agent/Registrar in connection therewith.

If any such mutilated, lost, apparently destroyed or wrongfully taken Bond has become or is about to become payable, the District in its discretion may, instead of issuing a replacement Bond, authorize the Paying Agent/Registrar to pay such Bond.

Each replacement Bond delivered in accordance with this Section shall be entitled to the benefits and security of the Bond Order to the same extent as the Bond or Bonds in lieu of which such replacement Bond is delivered.

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 and after March 1, 2033, prior to their scheduled maturities, in whole or, from time to time in part, in integral multiples of \$5,000 on March 1, 2032, or any date thereafter, at a price of the principal amount of bonds to be redeemed plus accrued interest to the date fixed for redemption. If less than all of the Bonds of a given maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by random method 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 less 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 which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Authority for Issuance

The Bonds are issued pursuant to the Bond Order, Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas, elections held within the District and an Order of the Commission.

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.

Issuance of Additional Debt

At bond elections held within the District on August 12, 1978, June 27, 1981, September 14, 2002 and November 6, 2018, voters of the District authorized the issuance of \$90,559,688 principal amount of unlimited tax bonds for water, sanitary sewer and drainage facilities and for refunding such bonds. The Bonds represent the eighth issuance from such authorizations. After issuance of the Bonds, the District will have \$25,329,688 principal amount in authorized but unissued unlimited tax bonds.

In addition, at a bond election held on August 5, 1989, voters of the District authorized the issuance of \$18,000,000 principal amount of unlimited tax refunding bonds. The District has \$8,936,131.21 principal amount in authorized but unissued unlimited tax refunding bonds.

The District may issue such authorized but unissued bonds and any additional tax bonds or combination tax and revenue bonds voted in the future with the approval of the Commission, where applicable. The Board is further empowered to borrow money for any lawful purpose and to issue bond anticipation notes, tax anticipation notes, and revenue bonds and notes. The Bond Order imposes no limitation on the amount of additional bonds which may be issued by the District (if authorized by the District's voters and approved by the Commission, where applicable). Any additional bonds issued by the District may be on a parity with the Bonds.

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 adopted a plan for the facilities; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed 1% of the taxable property in the District at the time of issuance of the bonds, or in the event the District meets certain conditions, 3% of the taxable property in the District at the time of issuance of the bonds, but in no event in an amount greater than the estimated cost of the plan; (iv) the District obtains any necessary governmental consents, including that of the Commission, allowing the issuance of such bonds; and (v) the bonds are approved by the Attorney General of Texas. The District may issue bonds for such purposes payable solely from the net operating revenues without an election. The issuance of such bonds is subject to the rules and regulation to be adopted by the Commission. The Board has not considered calling a park bond election at this time.

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

Financing Road Facilities

Pursuant to Chapter 54 of the Water Code, a municipal utility district may petition the Commission for the power to issue bonds supported by property taxes to finance roads. Before the District could issue such bonds, the District would be required to receive a grant of such power from the Commission, authorization from the District's voters to issue such bonds, and approval of the bonds by the Attorney General of Texas. The District has not considered filing an application to the Commission for "road powers" nor calling such an election at this time. Issuance of bonds for roads could dilute the investment security for the Bonds.

Defeasance

The District may defease the Bonds pursuant to provisions of the Bond Order and discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal of and interest on the Bonds in any manner permitted by law. Under current Texas law, such discharge may be accomplished as follows: (1) by paying or causing to be paid principal and interest due on the Bonds (whether at maturity, redemption or otherwise) in accordance with the terms of the Bonds; (2) 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 (3) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable with revenues or from ad valorem taxes or both, or with a commercial bank or trust company designated in the proceedings authorizing the discharge, moneys or investments which, together with interest earned on or profits to be realized from such investments, will be sufficient to pay principal, interest or redemption price to maturity or to the date fixed for 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) non-callable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) non-callable obligations of a state or an agency or a county, municipality or other political subdivision of a state that have been refunded and that on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and /or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and /or redemption of the Bonds. Upon such payment or deposit, the Bonds shall no longer be regarded as outstanding and unpaid. However, if the maturity date on the Bonds shall not have then arrived, provision shall be made by the District for payment to the Registered Owners of the Bonds at the date of maturity or at a date fixed for redemption in full the amount to which the Registered Owners would be entitled by way of principal, interest and redemption price to the date of such maturity or redemption as provided in the Bond Order, and further provided written notice thereof shall have been given as provided in the Bond Order.

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.

Abolishment

Under Texas law, since the District lies wholly within the corporate city limits of Missouri City, the District may be abolished and dissolved by Missouri City without the District's consent. If the District is abolished, Missouri City will assume the District's assets and obligations (including the Bonds) and abolish the District within ninety (90) days thereafter. Prior to abolishment and dissolution by Missouri City, the District shall have the opportunity to discharge any obligations of the District by selling its bonds or by causing Missouri City to sell bonds of Missouri City in an amount necessary to discharge such obligations. Abolishment of the District by Missouri City is a policymaking matter within the discretion of the Mayor and the City Council of Missouri City, and therefore, the District makes no representation that abolishment will or will not occur. Moreover, no representation is made concerning the ability of Missouri City to make debt service payments should abolishment occur.

Consolidation

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

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 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.

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 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.

Amendments

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

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 Order 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.

Registered Owners' Remedies

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 Order, or defaults in the observance or performance of any other covenants, conditions, or obligations set forth in the Bond Order, 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 Order. Except for mandamus, the Bond Order 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 Order 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."

THE DISTRICT

General

The District, located in Fort Bend County, Texas, was created by the Texas Water Commission, predecessor to Commission, by an order dated June 28, 1978, pursuant to Article XVI, Section 59, Texas Constitution and operates pursuant to Chapters 49 and 54, Texas Water Code, as amended. The District contains approximately 564 acres.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; the control and diversion of storm water; and the collection of solid waste. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District also is empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the City of Missouri City, the Commission and the voters of the District. The District has the power to contract for peace officers to prevent or abate the commission of certain offenses against the rules of the District and the laws of the State of Texas. Additionally, the District may, subject to certain limitations, develop and finance parks and recreational facilities and roads. See "THE BONDS – Issuance of Additional Debt."

The Commission exercises continuing supervisory jurisdiction over the District. Construction and operation of the District's water, sewer and storm drainage system is subject to the regulatory jurisdiction of the City of Missouri City and of additional State of Texas agencies. See "THE SYSTEM—Regulation."

Description and Location

The District is located in Fort Bend County, Texas, wholly within the corporate limits of the City of Missouri City, Texas, approximately 17 miles southwest of downtown Houston. The District is intersected by FM 2234 (Texas Parkway) and Cartwright Road and is approximately five (5) miles south of the Wilcrest/Murphy Road exit on U.S. 59. See "AERIAL PHOTOGRAPH."

STATUS OF DEVELOPMENT IN THE DISTRICT

Residential Development

Development within the District includes the residential subdivisions of Quail Green West, Quail Green, Quail Green South, Bradford Village, Pebble Brook, Mustang Trails, Fieldcrest, and Arcadia comprising 1,853 single-family residential lots on approximately 391 acres. As of November 30, 2025, there were 1,837 completed and occupied homes and 16 vacant homes. The 2025 average home value in the District was approximately \$254,094.

Multi-Family Development

The Gala at Texas Parkway, an 86-unit senior living apartment complex, has been constructed on approximately 8 acres of land. The Jubilee at Texas Parkway, an 82-unit senior living apartment complex, has been constructed on approximately 6 acres of land.

Commercial Development

Approximately 53 acres of land have been developed for commercial purposes, including a Wells Fargo Bank, a KFC restaurant, a Pizza Hut restaurant, an Auto Zone, a Valero service station and convenience store, a CVS drug store, a Foodarama grocery store with an adjacent strip shopping center, a Wing Stop restaurant, the 7Spice Seafood Kitchen restaurant, Dollar Tree store, a Family Dollar Store, a furniture store, several hair and nail salons, Auto Max, Hartz Chicken restaurant, 2 dry cleaners, a liquor store and a McDonald's Restaurant.

Undeveloped Acreage

In addition to the development described above, the District has approximately 17 developable acres remaining to be developed, 18 acres of land contained in a Missouri City park, 3 acres of other recreational land, 1 acre used for a Missouri City Fire Station and 9 acres owned by a church. The fire station and church are exempt from ad valorem taxation. There are approximately 58 undevelopable acres that are easements, right of ways, streets or plant sites and are undevelopable.

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board of Directors, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to four-year staggered terms, and elections are held in May in even numbered years only. All of the Directors own property in the District subject to taxation. The Directors and Officers of the District are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Demonica Johnson	President	May 2028
Charles Benton	Vice President	May 2028
Frederick Walker	Secretary	May 2026
Natasha Wardsworth	Asst. Secretary	May 2028
Toxie Cockrell	Treasurer	May 2026

While the District does not have any employees, it has contracted for certain services as follows:

Tax Appraisal

Land and improvements within the District are appraised for ad valorem taxation purposes by the Fort Bend Central Appraisal District.

Tax Assessor/Collector

The District's tax assessor/collector is Utility Tax Service, LLC (the "Tax Assessor/Collector").

Bookkeeper

The District contracts with Claudia Redden & Associates, L.L.C. for bookkeeping services.

Utility System Operator

The District contracts with Quail Valley Utility District (“Quail Valley” or the “Operator”) for maintenance and operation of the District’s system.

Engineer

The District’s consulting engineer is Saliger Engineering Corporation (the “Engineer”).

Attorney

The District has engaged Smith, Murdaugh, Little & Bonham, L.L.P. 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 fee to be paid the Financial Advisor is contingent upon sale and delivery of the Bonds.

Auditor

As required by the Texas Water Code, the District retains an independent auditor to audit the District’s financial statements annually, which audited financial statements are filed with the Commission. 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 Forvis Mazars, LLP, independent auditors, as stated in their report appearing herein. The District has engaged Forvis Mazars, LLP to audit its financial statements for the fiscal year ended September 30, 2025. See “APPENDIX A” for a copy of the District’s September 30, 2024 audited financial statements.

THE SYSTEM

Regulation

According to the Engineer, the District's water distribution, wastewater collection, and storm drainage facilities (collectively, the “System”) have been designed in accordance with accepted engineering practices and the then current requirements of various agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities. The construction of the System was required to be accomplished in accordance with the standards and specifications of such entities and is subject to inspection by each such entity. Operation of the System must be accomplished in accordance with the standards and requirements of such entities. The Commission exercises continuing supervisory authority over the District. Discharge of treated wastewater is subject to the regulatory authority of the Commission and the U.S. Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of the Fort Bend County Flood Control District, Fort Bend County and, in some instances, the Commission. Fort Bend County, the City of Missouri City, and the Texas Department of Health also exercise regulatory jurisdiction over the System. The regulations and requirements of entities exercising regulatory jurisdiction over the System are subject to further development and revision which, in turn, could require additional expenditures by the District in order to achieve compliance. In particular, additional or revised requirements in connection with any permit for the wastewater treatment plant which provides service to the District beyond the criteria existing at the time of construction of the plant could result in the need to construct additional facilities in the future. The following descriptions are based upon information supplied by the District's Engineer.

Water Supply

The water supply system that currently serves the District includes one water plant with sufficient capacity to serve the existing 2,245 equivalent single-family connections (esfc). Water Plant No. 1 has two wells with a combined capacity of 1,918 gallons-per-minute (gpm), 3,750 gpm of booster pump capacity, a 1,000,784-gallon ground storage tank capacity and 40,000 gallons of hydropneumatic tank capacity. Proceeds from the Outstanding Bonds will be used to finance improvements to Water Plant No. 1. The design of such improvements has been completed. A site for future Water Plant No. 2 has been purchased with proceeds of the Outstanding Bonds.

The District has emergency water interconnect agreements with Thunderbird Utility District, Meadowcreek Municipal Utility District and Blue Ridge West Municipal Utility District.

Subsidence District Requirements

The District is within the boundaries of the Fort Bend Subsidence District (the “Subsidence District”), which regulates groundwater withdrawal. The District’s authority to pump groundwater is subject to an annual permit issued by the Subsidence District. On September 24, 2003, the Subsidence District issued a District Regulatory Plan (the “Plan”) to reduce groundwater withdrawal through conversion to surface water or other alternative water sources in certain areas within the Subsidence District’s jurisdiction. Under the Plan, the District is required to have a groundwater reduction plan (“GRP”) approved by the Subsidence District by the beginning date of the District’s permit term in 2008, or pay a disincentive fee for any groundwater withdrawn in excess of 40% of the District’s total annual water demand. Additional disincentive fees would be imposed under the Plan if the District’s groundwater withdrawal exceeds 70% of the District’s total water demand beginning January 2015 and exceeds 40% of the District’s total annual water demand beginning in 2025.

The District has opted to become part of the City of Missouri City’s (the “City”) GRP pursuant to a contract entered into between the District and the City. As a participant in the City’s GRP, the District has complied with all Subsidence District requirements in regard to the conversion to surface water and is obligated to pay to the City a groundwater withdrawal fee for all groundwater produced and used by the District and a water purchase fee for any water actually purchased from the City by the District in the future. The City has established a fee of \$2.39 per 1,000 gallons of groundwater pumped, payable monthly. The pumpage fee is expected to increase in the future. The issuance of additional bonds by the District in an undetermined amount may be necessary at some time in the future in order to develop surface water conversion infrastructure should the City require the District to convert to surface water and connect to the City’s water supply system or should the District determine that it would be in the District’s best interest to supplement or replace its groundwater supply with surface water.

Wastewater Treatment System

The District’s wastewater treatment is provided by a permanent 500,000 gallon per day (gpd) capacity wastewater treatment plant located in the District. The District also owns 400,000 gpd of wastewater treatment capacity in the Quail Valley Utility District Regional Wastewater Treatment Plant for a total capacity of 900,000 gpd capable of serving 3,000 connections. A portion of Bond proceeds will be used for rehabilitation and improvements to the Wastewater Treatment Plant. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

Water Distribution and Sanitary Sewer Collection and Drainage System

The District’s System includes water, sanitary sewer and drainage facilities to serve the subdivisions and other development described under the section “STATUS OF DEVELOPMENT IN THE DISTRICT.”

100-Year Flood Plain

“Flood Insurance Rate Map” or “FIRM” means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is no assurance that homes built in such area will not be flooded. The District’s drainage system has been designed and constructed to all current standards. According to the District’s Engineer, none of the land located within the District is located within the 100-year floodplain. See “INVESTMENT CONSIDERATIONS—Recent Extreme Weather Events.”

Atlas 14

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas for the United States (“Atlas 14”). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties and consequently leaving less developable property within the District. Such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs below were compiled by the District's Engineer and were submitted to the Commission in the District's bond application. Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and Financial Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds. The surplus funds may be expended for any lawful purpose for which surplus construction funds may be used, if approved by the Commission, where required. Proceeds from the Bonds will be used to finance certain other District projects as detailed below:

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, \$10,438,283 is estimated for construction costs, and \$2,111,717 is estimated for non-construction costs as detailed below.

CONSTRUCTION COSTS

Arcadia Section 1 - W, WW, D.....	\$ 2,023,030
Arcadia Detention Facilities, Phases 1 & 2.....	1,869,071
Drainage Study - Arcadia Development.....	81,569
WWTP Rehabilitation and Improvements.....	2,865,000
W & WW Capacity Fees.....	723,200
Land Costs - Detention Ponds "A" & "B".....	922,732
Easement Acquisition Costs.....	165,428
Contingencies.....	573,000
Engineering, Testing & SWPPP.....	1,215,253
Total Construction Related Costs.....	\$ 10,438,283

NON-CONSTRUCTION COSTS

Legal Fees.....	\$ 301,000
Fiscal Agent Fees.....	251,000
Developer Interest (estimated) (a).....	878,956
Operating Expenses.....	154,000
Bond Discount (3%).....	376,500
Bond Issuance Expenses.....	49,386
TCEQ Bond Issuance Fee.....	31,375
Bond Application Report Costs.....	60,000
Attorney General Fee (0.10%).....	9,500
Total Nonconstruction Costs.....	\$ 2,111,717
TOTAL BOND ISSUE.....	\$ 12,550,000

(a) A portion of the proceeds of the Bonds will be used to reimburse Taylor Morrison of Texas, Inc., a previous developer of Arcadia Section One within the District.

In the instance that Commission-approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved under the rules of the Commission. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional Commission approval and the issuance of additional bonds may be required. The Engineer has advised the District that the proceeds of the sale of the Bonds should be sufficient to pay for the design and construction of the above described facilities. However, the District cannot and does not guarantee the sufficiency of such funds for such purpose.

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the Outstanding Bonds and the Bonds.

Year	Outstanding Bonds Debt Service Requirements	Plus: Debt Service on the Bonds			Total Debt Service Requirements
		Principal	Interest	Total	
2026	\$ 2,126,556		\$ 293,668	\$ 293,668	\$ 2,420,224
2027	2,111,744		565,350	565,350	2,677,094
2028	2,075,406	\$ 235,000	557,713	792,713	2,868,119
2029	2,046,306	250,000	541,950	791,950	2,838,256
2030	2,013,769	260,000	525,375	785,375	2,799,144
2031	2,015,169	275,000	507,988	782,988	2,798,156
2032	2,015,719	290,000	489,625	779,625	2,795,344
2033	2,014,963	310,000	470,125	780,125	2,795,088
2034	2,012,881	325,000	449,488	774,488	2,787,369
2035	2,014,859	340,000	432,125	772,125	2,786,984
2036	2,020,019	360,000	418,125	778,125	2,798,144
2037	2,018,041	380,000	403,325	783,325	2,801,366
2038	2,019,353	400,000	387,725	787,725	2,807,078
2039	2,018,875	425,000	371,225	796,225	2,815,100
2040	2,021,469	450,000	353,725	803,725	2,825,194
2041	2,022,047	470,000	335,325	805,325	2,827,372
2042	2,021,203	500,000	315,613	815,613	2,836,816
2043	2,024,172	525,000	294,472	819,472	2,843,644
2044	2,025,891	555,000	272,197	827,197	2,853,088
2045	1,939,078	585,000	248,684	833,684	2,772,763
2046	1,933,359	615,000	223,934	838,934	2,772,294
2047	765,000	1,000,000	190,625	1,190,625	1,955,625
2048	-	1,000,000	148,750	1,148,750	1,148,750
2049	-	1,000,000	106,250	1,106,250	1,106,250
2050	-	1,000,000	63,750	1,063,750	1,063,750
2051	-	1,000,000	21,250	1,021,250	1,021,250
Total	\$ 43,275,878	\$ 12,550,000	\$ 8,988,380	\$ 21,538,380	\$ 64,814,259

Maximum Annual Debt Service Requirement (2028)..... \$2,868,119
Average Annual Debt Service Requirement (2026-2051)..... \$2,492,856

FINANCIAL STATEMENT

2024 Certified Taxable Assessed Valuation	\$472,915,488 (a)
2025 Taxable Assessed Valuation	\$533,137,995 (b)
Direct Debt:	
Outstanding Bonds (as of December 15, 2025)	\$33,070,000
Plus: The Bonds	<u>12,550,000</u>
Gross Debt Outstanding	\$45,620,000
Ratio of Gross Debt to:	
2025 Taxable Assessed Valuation	8.56%

Area of District – 564 Acres
Estimated 2025 Population – 6,766 (c)

- (a) As certified by the Fort Bend Central Appraisal District (the “Appraisal District”).
- (b) The Appraisal District has certified \$532,733,176 of taxable value as of January 1, 2025. According to the Appraisal District, there are properties remaining uncertified totaling \$476,258. The above listed assessed valuation includes 85% of the uncertified value for an estimated uncertified value of \$404,819. See “TAX PROCEDURES.”
- (c) Based upon 3.5 persons per occupied home and 2.0 persons per multi-family unit.

Cash and Investment Balances (unaudited as of December 17, 2025)

Capital Projects Fund	Cash and Temporary Investments	\$ 10,680,946 (a)
Operating Fund	Cash and Temporary Investments	\$ 1,772,980
Debt Service Fund	Cash and Temporary Investments	\$ 4,814,611 (b)

- (a) Includes funds from the Series 2020, Series 2021 and Series 2022 Bonds not yet spent, including Water Plant No. 1 rehabilitation and upgrade, wastewater treatment plant rehabilitation, wastewater system rehabilitation and Water Plant No. 2 improvements.
- (b) Neither Texas law nor the Bond Order require the District to maintain any minimum balance in the Debt Service Fund.

District Investment Policy

The District’s goal is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Funds of the District are invested either in short term U.S. Treasury obligations or certificates of deposit insured by the Federal Deposit Insurance Corporation or secured by collateral held by a third party institution. The District does not own any long term securities or derivative products in the District’s investment portfolio.

Outstanding Bonds

Series	Original Principal Amount	Outstanding Bonds (as of 12/1/25)
U/L Tax Refunding Bonds, Series 2016	\$ 5,155,000	\$ 2,220,000
U/L Tax Bonds, Series 2020	13,675,000	13,675,000
U/L Tax Bonds, Series 2021	11,175,000	11,175,000
U/L Tax Bonds, Series 2022	6,000,000	<u>6,000,000</u>
Total		\$ 33,070,000

ESTIMATED OVERLAPPING DEBT STATEMENT

Expenditures of the various taxing entities which include the territory in 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 “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 of such reports, 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 overlapping Tax Debt allocable to the District.

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Fort Bend County.....	\$ 1,235,264,389	11/30/2025	0.41%	\$ 5,064,584
Fort Bend County Drainage District.....	21,645,000	11/30/2025	0.41%	88,745
Houston Community College.....	396,510,000	11/30/2025	0.18%	713,718
City of Missouri City.....	202,830,000	11/30/2025	4.06%	8,234,898
Fort Bend ISD.....	1,836,730,000	11/30/2025	1.01%	18,550,973
Total Estimated Overlapping Debt.....				\$ 32,652,917
The District.....	45,620,000 (a)	Current	100.00%	45,620,000
Total Direct and Estimated Overlapping Debt.....				\$ 78,272,917
Ratio of Estimated Direct and Overlapping Debt to 2025 Certified Taxable Assessed Valuation.....				14.68%

(a) Includes the Bonds and the Outstanding Bonds.

Overlapping Tax Rates for 2025

Property within the District is subject to taxation by several taxing authorities in addition to the District. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District’s tax lien is on a parity with tax liens of taxing authorities shown below. In addition to ad valorem taxes required to pay debt service on bonded debt of the District and other taxing authorities (see “ESTIMATED OVERLAPPING DEBT STATEMENT” above), certain taxing jurisdictions, including the District, are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below are all of the tax rates levied within the District for the 2025 tax year by all taxing jurisdictions overlapping the District and including the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy or charges imposed by entities other than political subdivisions.

	2025 Tax Rate per \$100 of Taxable <u>Assessed Valuation</u>
Fort Bend County (a).....	\$ 0.422000
Fort Bend ISD.....	1.056900
Houston Community College.....	0.010000
City of Missouri City.....	0.570825
Total Overlapping Tax Rate.....	\$ 2.059725
The District.....	\$ 0.705020
Total Tax Rate.....	\$ 2.764745

(a) Includes Fort Bend County Drainage District.

TAX DATA

Debt Service Tax

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. The District levied a debt service tax for 2025 at the rate of \$0.55502 per \$100 assessed valuation. See “Tax Rate Distribution” above.

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 the District’s voters. At an election held April 12, 1978, the Board was authorized to levy such a maintenance tax in an amount not to exceed \$0.15 per \$100 assessed valuation and in accordance with the constitution and laws of the state of Texas. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any additional tax bonds which may be issued in the future. See “Tax Rate Distribution” herein.

Tax Rate Distribution

	2025	2024	2023	2022	2021
Debt Service	\$ 0.55502	\$ 0.57115	\$ 0.58593	\$ 0.60315	\$ 0.62740
Maintenance and Operations	0.15000	0.15000	0.15000	0.15000	0.15000
Total	\$ 0.70502	\$ 0.72115	\$ 0.73593	\$ 0.75315	\$ 0.77740

Tax Rate Limitations

Debt Service: Unlimited (no legal limit as to rate or amount).
 Maintenance: Not to exceed \$0.15 per \$100 assessed valuation

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.

Tax Year	Certified Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of November 30, 2025 (a)	
				Amount	Percent
2021	\$ 317,887,081	\$ 0.77740	\$ 2,471,254	\$ 2,455,831	99.38%
2022	387,021,762	0.75315	2,914,854	2,880,091	98.81%
2023	433,499,525	0.73593	3,190,253	3,137,766	98.35%
2024	472,915,488	0.72115	3,410,430	3,329,996	97.64%
2025	533,137,995	0.70502	3,758,729	(b)	(b)

(a) Unaudited.

(b) In process of collections. Taxes for 2025 are due by January 31, 2026.

Taxes are due October 1 and are delinquent after January 31 of the following year. No split payments are allowed, and no discounts are allowed.

Tax Exemptions

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. For 2025, the District adopted a \$12,000 exemption for persons who are 65 or older and/or disabled.

Additional Penalties

The District has contracted with Linebarger Goggan Blair & Sampson, LLP for collection of delinquent taxes. In connection with that contract, the District established an additional penalty of twenty percent (20%) of the tax, penalty and interest 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.

Principal Taxpayers

The following list of principal taxpayers was provided by the District’s Tax Assessor/Collector based upon the 2025 certified tax roll which reflects ownership as of January 1, 2025 (\$532,733,176). A principal taxpayer list related to the uncertified portion of the 2025 Taxable Assessed Valuation (\$404,819) is not available.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2025 Certified Taxable Assessed Valuation</u>	<u>% of 2025 Certified Taxable Assessed Valuation</u>
Aoede LLC	Land, Improvements & Personal Property	\$ 10,454,506	1.96%
Quail Valley Retail Center Partnership	Land & Improvements	8,654,048	1.62%
Southbound Ventures LLC	Land & Improvements	5,246,086	0.98%
Gala at Texas Parkway LP	Land & Improvements	4,821,008	0.90%
Jubilee at Texas Parkway LP	Land & Improvements	4,426,800	0.83%
PPE LCH SS2 LLC	Land, Improvements & Personal Property	4,391,061	0.82%
Comcast of Houston LLC	Personal Property	2,777,990	0.52%
Centerpoint Energy Electric	Personal Property	2,502,760	0.47%
1610 Cartwright TX LLC	Land & Improvements	2,155,915	0.40%
B&T Partners LLC	Land & Improvements	1,850,638	0.35%
Total		\$ 47,280,812	8.88%

Summary of Assessed Valuation

The District's certified value as of January 1 of each year is used by the District in establishing its tax rate for the same year. See “TAXING PROCEDURES—Levy and Collection of Taxes.” The following represents the type of property comprising the District's tax roll for the years 2021 through 2025. These values may differ slightly from values in other sections of the Official Statement due to different reporting dates. A breakdown of the uncertified portion of the 2025 Taxable Assessed Valuation (\$404,819) is not available.

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Land	\$ 74,764,098	\$ 72,435,239	\$ 55,520,213	\$ 55,645,420	\$ 54,980,570
Improvements	489,221,543	443,364,033	438,624,986	376,118,740	276,392,170
Personal Property	17,801,463	17,374,979	16,314,531	14,801,810	13,549,030
Exemptions	(49,053,928)	(60,258,763)	(76,960,205)	(59,544,208)	(27,034,689)
Total Certified	\$ 532,733,176	\$ 472,915,488	\$ 433,499,525	\$ 387,021,762	\$ 317,887,081
Uncertified Value	404,819	-	-	-	-
Total	\$ 533,137,995	\$ 472,915,488	\$ 433,499,525	\$ 387,021,762	\$ 317,887,081

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2025 Taxable Assessed Valuation of \$533,137,995 (\$532,733,176 certified plus \$404,819 uncertified), and a debt service tax rate necessary to pay the District’s average annual and maximum annual debt service requirements on the District’s Outstanding Bonds and the Bonds. See “INVESTMENT CONSIDERATIONS—Impact on District Tax Rates.”

Average Annual Debt Service Requirement (2026-2051).....	\$2,492,856
\$0.50 Tax Rate on the 2025 Taxable Assessed Valuation.....	\$2,532,405
Maximum Annual Debt Service Requirement (2028).....	\$2,868,119
\$0.57 Tax Rate on the 2025 Taxable Assessed Valuation.....	\$2,886,942

No representation or suggestion is made that the uncertified portion of the 2025 Taxable Assessed Valuation for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See “TAX PROCEDURES.”

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 Order 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. See “TAX DATA—Maintenance and Operations Tax.”

Tax Code and County-Wide Appraisal District

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

The Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Fort Bend Central Appraisal District 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; 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. For the 2025 tax year, the District has adopted a residential homestead exemption in the amount of \$12,000 for persons age 65 and older and disabled persons. Additionally, 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. Subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran’s residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran’s exemption applied. See “TAX DATA.”

Partially disabled veterans 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. 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 an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

Residential Homestead Exemptions: The Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) (not less than \$5,000) 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 District has never granted such a general homestead exemption. See "TAX DATA."

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 less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

Fort Bend County or the City of Missouri City 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 Missouri City, under certain circumstances, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Generally, assessments under the Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the 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 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 Tax Code permits land designated for agricultural or timber land use to be appraised at its value based on the land's capacity to produce agricultural products or, with respect to timber land, the value based upon accepted income capitalization methods. The Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of the agricultural, timber land or residential real property appraisal must apply with the Appraisal District for such appraisal, and the Appraisal District is required to act on each claimant's application 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 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 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 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 Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a petition for review in district court within forty-five (45) days after notice is received that a final order has been entered. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to comply with the Property Tax Code. The District may challenge the exclusion of property from the appraisal rolls or the grant, in whole or in part, of an exemption.

Texas law provides for notice and hearing procedures prior to the adoption of an ad valorem tax rate by the District. Additionally, under certain circumstances, an election would be required to determine whether to approve the adopted total tax rate. See "TAXING PROCEDURES—Rollback of Operations and Maintenance Tax Rate." The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board 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 Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement in writing 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 equal monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

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

Rollback of Operations and Maintenance Tax

Chapter 49 of the Texas Water Code, as amended, classifies municipal utility districts differently based on their current operation and maintenance tax rate or on the percentage of projected build-out that a 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 herein as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all land, 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 an 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 in the district, subject to certain homestead exemptions, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

Developed Districts: Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold a rollback election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.035 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions plus any unused increment rates. However, pursuant to a 2023 amendment of the Texas Water Code, an election is not required if a Developed District adopts a tax rate that exceeds the "mandatory tax election rate," but is less than or equal to the "voter approval rate," as these terms are defined in the Texas Water Code. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

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

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

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 "ESTIMATED OVERLAPPING DEBT STATEMENT." 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, among other collection methods available, 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."

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WATER AND SEWER OPERATING STATEMENT

The following statement sets forth in condensed form the historical results of operation of the District's General Operating Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such summary is based upon information obtained from the District's audited financial statements for the fiscal years ended September 30, 2021 through 2024 and an unaudited summary from the District's bookkeeper for the fiscal year ended September 30, 2025. Reference is made to such statements for further and complete information.

	Fiscal Year Ended September 30				
	2025 (a)	2024	2023	2022	2021
Revenues					
Property Taxes	\$ 698,374	\$ 646,817	\$ 566,916	\$ 474,455	\$ 412,155
Water Service	508,999	512,855	468,283	459,121	451,894
Sewer Service	454,150	448,961	441,357	422,012	424,422
Surface Water Conversion	309,129	276,640	266,960	250,755	239,892
Garbage Service	413,098	386,266	368,032	353,058	337,495
Penalty and Interest	40,071	54,794	39,920	42,529	37,843
Tap Connection and Inspection Fees	4,800	291,451	25,200	556	118,925
Investment Income	90,848	97,861	72,443	7,206	869
Other Income	136,851	19,052	41,441	18,432	13,156
Total Revenues	\$ 2,656,320	\$ 2,734,697	\$ 2,290,552	\$ 2,028,124	\$ 2,036,651
Expenditures					
Regional Water Fee	\$ 264,489	\$ 301,764	\$ 276,757	\$ 264,149	\$ 240,186
Purchased Services	262,058	184,413	172,434	135,975	128,044
Professional Fees	392,263	456,533	361,333	421,409	260,292
Contracted Services	601,702	597,483	572,851	553,886	535,928
Utilities	87,635	93,160	90,850	87,430	70,404
Repairs and Maintenance	616,534	627,699	714,931	650,277	788,377
Other	156,957	151,282	143,924	121,740	112,545
Tap Connection	-	80,503	11,908	-	58,205
Capital Outlay	-	15,500	250	4,001	80,252
Debt Service, Debt Issuance Costs	48,500	-	-	-	1,000
Total Expenditures	\$ 2,430,138	\$ 2,508,337	\$ 2,345,238	\$ 2,238,867	\$ 2,275,233
Revenues Over (Under) Expenditures	\$ 226,182	\$ 226,360	\$ (54,686)	\$ (210,743)	\$ (238,582)
Other Sources (Uses)					
Interfund Transfers In (Out)	\$ -	\$ -	\$ 361,426	\$ -	\$ 79,993
Developer Advances	-	50,000	-	-	-
Total Other Financing Sources	\$ -	\$ 50,000	\$ 361,426	\$ -	\$ 79,993
Fund Balance (Beginning of Year)	\$ 1,609,007	\$ 1,332,647	\$ 1,025,907	\$ 1,236,650	\$ 1,395,239
Fund Balance (End of Year)	\$ 1,835,189	\$ 1,609,007	\$ 1,332,647	\$ 1,025,907	\$ 1,236,650

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

INVESTMENT CONSIDERATIONS

General

The Bonds are obligations solely of the District and are not obligations of the City of Missouri City, 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 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 continued development of taxable property within the District will accumulate or 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" below.

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.

Extreme Weather Events

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 26, 2017, and brought historic levels of rainfall during the successive four days.

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

Specific Flood Type Risks

Ponding (or Pluvial) 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 manmade drainage systems (canals or channels) downstream.

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of single-family and multi-family residences, and commercial development. The market value of such homes is related to general economic conditions in Houston, the State of Texas and the nation and those conditions can affect the demand for residences. Demand for undeveloped land in the District and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability, construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values.

Landowners/Developers Obligation to the District

There are no commitments from or obligations of any developer or any landowner to the District to proceed at any particular rate or according to any specified plan with the development of land or the construction of improvements in the District, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on undeveloped land may restrict the rate of growth of taxable values in the District. The District cannot and does not make any representations that over the life of the Bonds continued development of taxable property within the District will increase or maintain its taxable value.

Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2025 Taxable Assessed Valuation of the District (see "FINANCIAL STATEMENT (UNAUDITED)") is \$533,137,995 (\$532,733,176 certified plus \$404,819 uncertified). After issuance of the Bonds, the maximum annual debt service requirement will be \$2,868,119 (2028) and the average annual debt service requirement will be \$2,492,856 (2026-2051). Assuming no increase or decrease from the 2025 Taxable Assessed Valuation and no use of funds other than tax collections, a tax rate of \$0.57 per \$100 taxable assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of \$2,868,119 and a tax rate of \$0.50 per \$100 taxable assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of \$2,492,856 (see "DEBT SERVICE REQUIREMENTS"). Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds based upon the 2025 Taxable Assessed Valuation, the District can make no representations regarding the future level of assessed valuation within the District. Increases in taxable values depend primarily on the continuing construction and sale of taxable improvements within the District. See "TAX PROCEDURES" and "TAX DATA—Tax Adequacy for Debt Service." See "TAX PROCEDURES."

Future Debt

The District has reserved in the Bond Order the right to issue obligations other than the Bonds and the Outstanding Bonds, including tax anticipation notes, bond anticipation notes, and to borrow for any valid corporate purpose. At bond elections held within the District on August 12, 1978, June 27, 1981, September 14, 2002 and November 6, 2018, voters of the District authorized the issuance of \$90,559,688 principal amount of unlimited tax bonds for water, sanitary sewer and drainage facilities and for refunding such bonds. The Bonds represents the eighth issuance from such authorizations. After issuance of the Bonds, the District will have \$25,329,688 principal amount in authorized but unissued unlimited tax bonds. In addition, at a bond election held on August 5, 1989, voters of the District authorized the issuance of \$18,000,000 principal amount of unlimited tax refunding bonds. The District has \$8,936,131.21 principal amount in authorized but unissued unlimited tax refunding bonds. As of December 15, 2025, Taylor Morrison has expended approximately \$7,879,230 for which the District is expected to reimburse with the Bonds, no additional reimbursement is expected to be made. See "USE AND DISTRIBUTION OF BOND PROCEEDS" and "THE BONDS—Issuance of Additional Debt." The issuance of such obligations may adversely affect the investment security of the Bonds. The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board and any bonds issued to acquire or construct water, sanitary sewer and drainage facilities or recreational facilities must be approved by the Commission. The District can make no representation that any additional development will occur within the District. The Engineer has stated that the District's authorized but unissued bonds and other available District funds are adequate, under present land use projections, to finance the improvements necessary to serve such development. The District has no plans to call an election to authorize additional bonds at this time. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS—Issuance of Additional Debt."

Tax Collections 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, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, 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 Order. Except for mandamus, the Bond Order 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 Order 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 Owner's 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 is (1) 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 Commission as a condition to seeking relief under the Federal Bankruptcy Code. The Commission 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.

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

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.

Continuing Compliance with Certain Covenants

The Bond Order contain covenants by the District intended to preserve the exclusion from gross income of interest on the Bonds. Failure by the District to comply with such covenants in the Bond Order 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.

Environmental Regulation and Air Quality

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

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

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

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

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

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

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

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

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

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

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

The District is subject to the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which was 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.. 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. The District has entered into the Stormwater Management Plan Interlocal Cooperation Agreement with the City of Missouri City and other municipal utility districts located within the City of Missouri City for the purpose of compliance with the MS4 Permit. Pursuant to the Agreement, the District is responsible for its pro rata share of the costs associated with MS4 compliance each year.

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 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.

Risk Factors Related to the Purchase of Municipal Bond Insurance

The Initial Purchaser has entered into an agreement with Build America Mutual Assurance Company (“BAM” or the “Insurer”) for the purchase of a municipal bond insurance policy (the “Policy”). At the time of entering into the agreement, the Insurer was rated “AA” (stable outlook) by S&P. See “MUNICIPAL BOND INSURANCE.”

The long-term ratings on the Bonds are dependent in part on the financial strength of the bond insurer (the “Insurer”) and its claim 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) for 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 Opinion

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

Legal Review

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

No-Litigation Certificate

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

No Material Adverse Change

The obligations of the 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 have been supplemented or amended, through the date of sale.

TAX MATTERS

Opinion

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

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

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

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

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

Federal Income Tax Accounting Treatment of Original Discount Bonds

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

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

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

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

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

Federal Income Tax Accounting Treatment of Premium Bonds

The initial public offering price of certain Bonds (the "Premium Bonds") is greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon the sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning Premium Bonds.

Collateral Federal Income Tax Consequences

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

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

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

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

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

Information Reporting and Backup Withholding

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

Future and Proposed Legislation

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

State, Local and Foreign Taxes

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

Not Qualified Tax-Exempt Obligations for Financial Institutions

The District has not designated the Bonds as “qualified tax-exempt obligations” for financial institutions.

MUNICIPAL BOND RATING

S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) has assigned a municipal bond rating of “AA” (stable outlook) with the understanding that, upon delivery of the Bonds, a municipal bond insurance policy ensuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company (“BAM”). Moody’s Investors Service, Inc. (“Moody’s”) has assigned an underlying rating of “Baa2” to the Bonds. An explanation of the ratings may be obtained from S&P and Moody’s. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance” and “MUNICIPAL BOND INSURANCE.”

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) will issue its municipal bond insurance policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX B to this OFFICIAL STATEMENT.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM. The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: <https://bambonds.com>.

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

BAM's financial strength is rated "AA/Stable" by S&P. An explanation of the significance of the rating and current reports may be obtained from S&P at <https://www.spglobal.com/en/>. The rating of BAM should be evaluated independently. The rating reflects S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2025 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$517.2 million, \$273.6 million and \$243.6 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.bambonds.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this OFFICIAL STATEMENT or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "MUNICIPAL BOND INSURANCE."

Additional Information Available from BAM

Credit Insights Videos: For certain BAM-insured issues, BAM produces and posts a brief credit insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at <https://bambonds.com/insights/#video>. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles: Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any presale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at <https://bambonds.com/credit-profiles>. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers: The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

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

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 Robert W. Baird & Co., Inc. (the “Initial Purchaser”) bearing the interest rates shown on the cover page hereof, at a price of \$12,173,500.00, representing 97.00% of the principal amount thereof which resulted in a net effective interest rate of 4.454503% 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.

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

The financial data and other information contained in this Official Statement has 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 such sources, 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 engaged 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 summary of the Bond Order, District contracts and provisions of state and federal law contained under the captions “THE BONDS (except “Book Entry Only System”),” “THE DISTRICT—General,” “TAXING PROCEDURES,” “LEGAL MATTERS” and “TAX MATTERS”—Smith, Murdaugh, Little & Bonham, L.L.P.; “STATUS OF DEVELOPMENT IN THE DISTRICT” — Saliger Engineering Corporation and Quail Valley; “THE SYSTEM”— Saliger Engineering Corporation and Quail Valley “SELECTED FINANCIAL INFORMATION,” “ESTIMATED OVERLAPPING DEBT STATEMENT” and “TAX DATA”— Fort Bend Central Appraisal District, Utility Tax Service, LLC and the Municipal Advisory Council of Texas.

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.

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 Forvis Mazars, LLP, 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.

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 Saliger Engineering Corporation, 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 to establish the taxable value 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 Certified Taxable Assessed Valuations, principal taxpayers, and certain other historical data concerning tax rates and tax collections has been provided by Utility Tax Service, LLC, and is included herein in reliance upon the authority of such firm as an expert in assessing and collecting taxes.

Bookkeeper: The information related to the “unaudited” summary of the District's General Operating Fund as it appears in “WATER AND SEWER OPERATING STATEMENT” has been provided by Claudia Redden & Associates, L.L.C. and is included herein in reliance upon the authority of such firm as experts in the tracking and managing the various funds of municipal utility districts.

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.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, 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 specified events, to the Municipal Securities Rulemaking Board (the “MSRB”). This information will be available to the public without charge through its Electronic Municipal Market Access (“EMMA”) internet portal at www.emma.msrb.org.

Annual Reports

The District will provide annually to the MSRB certain updated financial information and operating data. The information to be updated includes the quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings "FINANCIAL STATEMENT," "TAX DATA (except for the subsection entitled "Tax Adequacy for Debt Service")," "THE SYSTEM" and "DEBT SERVICE REQUIREMENTS" (most of which information is contained in the District's annual audited financial statements) and in APPENDIX A. The District will update and provide this information to the MSRB within six (6) months after the end of each fiscal year ending in or after 2025.

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

The District's current fiscal year end is 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 via EMMA of the change.

Specified Event Notices

The District will provide timely notices of certain events to the MSRB via EMMA, 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; (13) consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or an 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 an obligated person, any of which affect security holders, 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 an obligated person, any of which reflect financial difficulties. The terms "financial obligation" and "material" when used in this paragraph shall have the meanings ascribed to them under federal securities laws. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from the MSRB

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

Limitations and Amendments

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

The District may amend its continuing disclosure agreement from time to time to adapt 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 (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with SEC Rule 15c2-12, taking into account any amendments or interpretations of SEC Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) 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 Owners and Beneficial Owners of the Bonds. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating so provided.

Compliance With Prior Undertakings

During the last five years, the District has complied in all material respects with its previous continuing disclosure agreements.

MISCELLANEOUS

All estimates, statements and assumptions in this Official Statement and the APPENDICES 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 Municipal Utility District No. 26, as of the date shown on the cover page.

/s/ Demonica Johnson
President, Board of Directors

ATTEST:

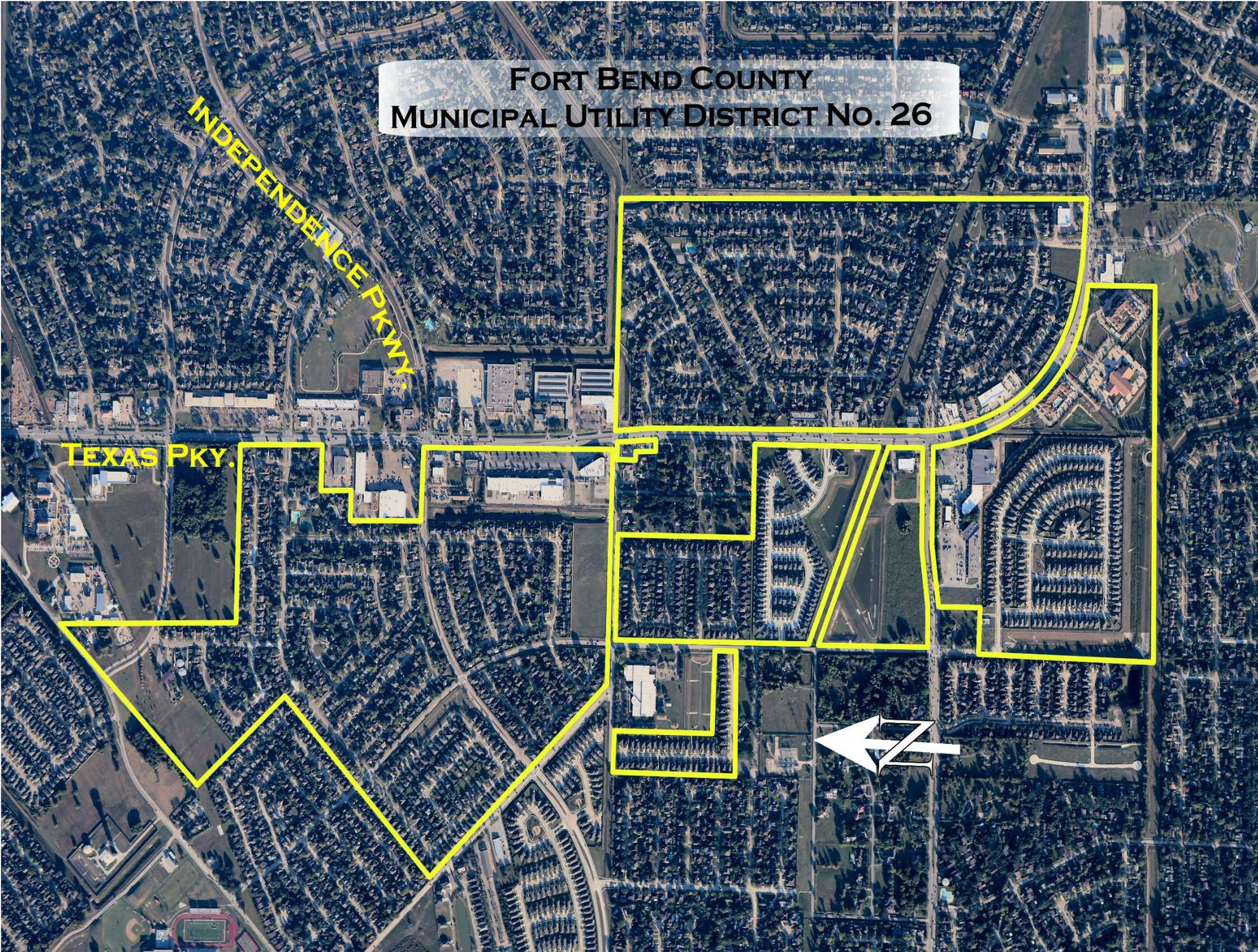
/s/ Frederick Walker
Secretary, Board of Directors

AERIAL PHOTOGRAPH
(As of October 2025)

**FORT BEND COUNTY
MUNICIPAL UTILITY DISTRICT No. 26**

INDEPENDENCE PKWY.

TEXAS PKY.



**PHOTOGRAPHS OF THE DISTRICT
(As of October 2025)**













APPENDIX A

**Independent Auditor's Report and Financial Statements of the District
for the fiscal year ended September 30, 2024**



Fort Bend County Municipal Utility District No. 26 Fort Bend County, Texas

Independent Auditor's Report and Financial Statements

September 30, 2024



Fort Bend County Municipal Utility District No. 26
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September 30, 2024

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Independent Auditor's Report

Board of Directors
Fort Bend County Municipal Utility District No. 26
Fort Bend County, Texas

Opinions

We have audited the financial statements of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 26 (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 accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of 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 (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from

error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedules required by the Texas Commission on Environmental Quality listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Forvis Mazars, LLP

**Houston, Texas
March 11, 2025**

Overview of the Financial Statements

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

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

Notes to Financial Statements

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

Financial Analysis of the District as a Whole

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

Summary of Net Position

	<u>2024</u>	<u>2023</u>
Current and other assets	\$ 19,866,898	\$ 19,658,026
Capital assets	17,511,076	16,570,981
Total assets	<u>37,377,974</u>	<u>36,229,007</u>
Deferred outflows of resources	<u>56,495</u>	<u>81,793</u>
Total assets and deferred outflows of resources	<u>\$ 37,434,469</u>	<u>\$ 36,310,800</u>
Long-term liabilities	\$ 35,814,648	\$ 36,892,059
Other liabilities	<u>1,189,544</u>	<u>1,185,958</u>
Total liabilities	<u>37,004,192</u>	<u>38,078,017</u>

Summary of Net Position (Continued)

	<u>2024</u>	<u>2023</u>
Net position:		
Net investment in capital assets	\$ (8,501,017)	\$ (8,755,283)
Restricted	7,272,629	5,610,291
Unrestricted	<u>1,658,665</u>	<u>1,377,775</u>
Total net position	<u>\$ 430,277</u>	<u>\$ (1,767,217)</u>

The total net position of the District increased by \$2,197,494, or about 124%. The majority of the increase in net position is related to tax revenues intended to pay principal on the District's bond indebtedness, which is shown as a long-term liability in the government-wide financial statements. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Changes in Net Position

	<u>2024</u>	<u>2023</u>
Revenues:		
Property taxes	\$ 3,195,602	\$ 2,910,758
Charges for services	1,624,722	1,544,632
Other revenues	<u>1,480,743</u>	<u>1,062,781</u>
Total revenues	<u>6,301,067</u>	<u>5,518,171</u>
Expenses:		
Services	2,583,222	2,546,676
Depreciation	570,676	547,575
Debt service	<u>949,675</u>	<u>977,361</u>
Total expenses	<u>4,103,573</u>	<u>4,071,612</u>
Change in net position	2,197,494	1,446,559
Net position, beginning of year	<u>(1,767,217)</u>	<u>(3,213,776)</u>
Net position, end of year	<u>\$ 430,277</u>	<u>\$ (1,767,217)</u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended September 30, 2024, were \$18,352,263, an increase of \$163,019 from the prior year.

The general fund's fund balance increased by \$276,360, primarily due to property taxes and service revenues and tap connection and inspection fee revenues exceeding service operations expenditures.

The debt service fund's fund balance increased by \$652,684 because property tax revenues and investment income exceeded bond principal and interest requirements.

**Fort Bend County Municipal Utility District No. 26
Management's Discussion and Analysis
September 30, 2024**

(Continued)

The capital projects fund's fund balance decreased by \$766,025, primarily due to capital outlay expenditures exceeding investment income.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to water service revenue and tap connection and inspection fees revenues and related expenditures and professional fees expenditures being greater than anticipated. In addition, developer advances were not included in the budget. The fund balance as of September 30, 2024, was expected to be \$1,467,982 and the actual end-of-year fund balance was \$1,609,007.

Capital Assets and Related Debt

Capital Assets

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

Capital Assets (Net of Accumulated Depreciation)

	<u>2024</u>	<u>2023</u>
Land and improvements	\$ 1,807,579	\$ 1,807,579
Construction in progress	2,124,834	3,830,012
Water facilities	2,415,804	2,480,348
Wastewater facilities	7,019,446	4,159,560
Drainage facilities	3,878,312	4,013,653
Park and recreation facilities	<u>265,101</u>	<u>279,829</u>
 Total capital assets	 <u>\$ 17,511,076</u>	 <u>\$ 16,570,981</u>

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

Construction in progress and engineering fees related to water plant Nos. 1 and 2, wastewater treatment plant rehabilitation and improvements, Flicker lift station and wastewater collection system rehabilitation and repair, Phase 5	\$ 1,266,341
Wastewater collection system rehabilitation and repair, Phases 2, 3 and 4	228,930
Install new blower motor No. 2	<u>15,500</u>
 Total additions to capital assets	 <u>\$ 1,510,771</u>

Debt

The changes in the debt position of the District during the fiscal year ended September 30, 2024, are summarized as follows:

Long-term debt payable, beginning of year	\$ 36,892,059
Increases in long-term debt	50,000
Decreases in long-term debt	<u>(1,127,411)</u>
 Long-term debt payable, end of year	 <u>\$ 35,814,648</u>

At September 30, 2024, the District had \$37,879,688 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and for refunding such bonds.

The District's bonds carry an underlying rating of "Baa2" from Moody's Investors Service (Moody's). The Series 2016 refunding bonds carry a "AA" rating from Standard & Poor's (S&P) and an "A1" rating from Moody's by virtue of bond insurance issued by Assured Guaranty, Inc. The Series 2020, 2021 and 2022 bonds carry a "AA" rating from S&P by virtue of bond insurance issue by Build America Mutual Assurance Company.

A developer of the District has constructed water, sewer and drainage facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Commission. At September 30, 2024, a liability for developer-constructed capital assets of \$2,225,333 was recorded in the government-wide financial statements.

A developer of the District has advanced \$50,000 to the District for the purpose of inspecting, reviewing and verifying the design, construction and materials testing associated with the construction of detention facilities. The District has agreed to reimburse the developer for this advance from the proceeds of a future bond issue subject to the approval of the Commission. This advance has been recorded as a long-term liability in the financial statements.

Other Relevant Factors

Relationship to the City of Missouri City

Under existing Texas law, since the District lies wholly within the City of Missouri City (the City), the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be abolished by the City without the District's consent. If the District is abolished, the City must assume the District's assets and obligations (including the bonded indebtedness) within 90 days.

Contingencies

A developer of the District is constructing facilities within the boundaries of the District. The District has agreed to reimburse the developer for a portion of these costs, plus interest, from the proceeds of future bond sales, to the extent approved by the Commission. The District's engineer has stated that current construction contract amounts are approximately \$1,947,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Fort Bend County Municipal Utility District No. 26
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	\$ 201,555	\$ 42,511	\$ 37,304	\$ 281,370	\$ -	\$ 281,370
Short-term investments	1,885,151	3,930,400	13,188,365	19,003,916	-	19,003,916
Receivables:						
Property taxes	49,658	212,367	-	262,025	-	262,025
Service accounts	181,217	-	-	181,217	-	181,217
Accrued penalty and interest	-	-	-	-	137,876	137,876
Interfund receivables	-	3,039	-	3,039	(3,039)	-
Due from others	494	-	-	494	-	494
Capital assets (net of accumulated depreciation):						
Land and improvements	-	-	-	-	1,807,579	1,807,579
Construction in progress	-	-	-	-	2,124,834	2,124,834
Infrastructure	-	-	-	-	13,313,562	13,313,562
Park and recreation	-	-	-	-	265,101	265,101
Total assets	2,318,075	4,188,317	13,225,669	19,732,061	17,645,913	37,377,974
Deferred Outflows of Resources						
Deferred amount on debt refundings	-	-	-	-	56,495	56,495
Total assets and deferred outflows of resources	\$ 2,318,075	\$ 4,188,317	\$ 13,225,669	\$ 19,732,061	\$ 17,702,408	\$ 37,434,469

Fort Bend County Municipal Utility District No. 26
Statement of Net Position and Governmental Funds Balance Sheet
September 30, 2024

(Continued)

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Liabilities						
Accounts payable	\$ 327,906	\$ -	\$ 372,780	\$ 700,686	\$ -	\$ 700,686
Retainage payable	-	-	85,583	85,583	-	85,583
Accrued interest payable	-	-	-	-	74,810	74,810
Customer deposits	328,465	-	-	328,465	-	328,465
Interfund payables	3,039	-	-	3,039	(3,039)	-
Long-term liabilities:						
Due within one year	-	-	-	-	1,160,000	1,160,000
Due after one year	-	-	-	-	34,654,648	34,654,648
Total liabilities	<u>659,410</u>	<u>-</u>	<u>458,363</u>	<u>1,117,773</u>	<u>35,886,419</u>	<u>37,004,192</u>
Deferred Inflows of Resources						
Deferred property tax revenues	<u>49,658</u>	<u>212,367</u>	<u>-</u>	<u>262,025</u>	<u>(262,025)</u>	<u>-</u>
Fund Balances/Net Position						
Fund balances:						
Restricted:						
Unlimited tax bonds	-	3,975,950	-	3,975,950	(3,975,950)	-
Water, sewer and drainage	-	-	12,767,306	12,767,306	(12,767,306)	-
Unassigned	<u>1,609,007</u>	<u>-</u>	<u>-</u>	<u>1,609,007</u>	<u>(1,609,007)</u>	<u>-</u>
Total fund balances	<u>1,609,007</u>	<u>3,975,950</u>	<u>12,767,306</u>	<u>18,352,263</u>	<u>(18,352,263)</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 2,318,075</u></u>	<u><u>\$ 4,188,317</u></u>	<u><u>\$ 13,225,669</u></u>	<u><u>\$ 19,732,061</u></u>		
Net position:						
Net investment in capital assets					(8,501,017)	(8,501,017)
Restricted for debt service					4,251,383	4,251,383
Restricted for capital projects					3,021,246	3,021,246
Unrestricted					<u>1,658,665</u>	<u>1,658,665</u>
Total net position					<u><u>\$ 430,277</u></u>	<u><u>\$ 430,277</u></u>

Fort Bend County Municipal Utility District No. 26
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances
Year Ended September 30, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 646,817	\$ 2,528,954	\$ -	\$ 3,175,771	\$ 19,831	\$ 3,195,602
Water service	512,855	-	-	512,855	-	512,855
Sewer service	448,961	-	-	448,961	-	448,961
Groundwater reduction plan fee	276,640	-	-	276,640	-	276,640
Garbage service	386,266	-	-	386,266	-	386,266
Penalty and interest	54,794	58,255	-	113,049	20,268	133,317
Tap connection and inspection fees	291,451	-	-	291,451	-	291,451
Investment income	97,861	207,053	732,009	1,036,923	-	1,036,923
Other income	19,052	-	-	19,052	-	19,052
Total revenues	2,734,697	2,794,262	732,009	6,260,968	40,099	6,301,067
Expenditures/Expenses						
Service operations:						
Purchased services	184,413	-	-	184,413	-	184,413
Groundwater reduction plan fee	301,764	-	-	301,764	-	301,764
Professional fees	456,533	28,696	-	485,229	1,803	487,032
Contracted services	597,483	46,999	-	644,482	-	644,482
Utilities	93,160	-	-	93,160	-	93,160
Repairs and maintenance	627,699	-	-	627,699	-	627,699
Other expenditures	151,282	11,927	960	164,169	-	164,169
Tap connections	80,503	-	-	80,503	-	80,503
Capital outlay	15,500	-	1,497,074	1,512,574	(1,512,574)	-
Depreciation	-	-	-	-	570,676	570,676
Debt service:						
Principal retirement	-	1,140,000	-	1,140,000	(1,140,000)	-
Interest and fees	-	913,956	-	913,956	35,719	949,675
Total expenditures/expenses	2,508,337	2,141,578	1,498,034	6,147,949	(2,044,376)	4,103,573
Excess (Deficiency) of Revenues Over Expenditures	226,360	652,684	(766,025)	113,019	2,084,475	
Other Financing Sources						
Developer advances	50,000	-	-	50,000	(50,000)	
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	276,360	652,684	(766,025)	163,019	(163,019)	
Change in Net Position					2,197,494	2,197,494
Fund Balances/Net Position						
Beginning of year	1,332,647	3,323,266	13,533,331	18,189,244	-	(1,767,217)
End of year	\$ 1,609,007	\$ 3,975,950	\$ 12,767,306	\$ 18,352,263	\$ -	\$ 430,277

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

Fort Bend County Municipal Utility District No. 26 (the District) was created by an order of the Texas Water Commission, now known as the Texas Commission on Environmental Quality (the Commission), effective June 28, 1978, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities and to provide such facilities and services to the customers of the District.

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

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

The District presents the following major governmental funds:

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

Debt Service Fund – The debt service fund is used to account for financial resources that are restricted, committed or assigned to expenditures for principal and interest related costs, as well as the financial resources being accumulated for future debt service.

Fort Bend County Municipal Utility District No. 26
Notes to Financial Statements
September 30, 2024

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

Fund Balances – Governmental Funds

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

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

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

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

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

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

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

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

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

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

Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental funds revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The District considers revenues

Fort Bend County Municipal Utility District No. 26
Notes to Financial Statements
September 30, 2024

reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, charges for services and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

Deferred Outflows and Inflows of Resources

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

Interfund Transactions

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

Pension Costs

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

Use of Estimates

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

Investments and Investment Income

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

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

Property Taxes

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

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended September 30, 2024, include collections during the current period or within 60 days of year-end related to the 2023 and prior years' tax levies.

Fort Bend County Municipal Utility District No. 26
Notes to Financial Statements
September 30, 2024

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District’s fiscal year ended September 30, 2024, the 2023 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

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

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

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

	<u>Years</u>
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45
Drainage facilities	10-45
Park and recreation facilities	10-20

Deferred Amount on Debt Refundings

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

Debt Issuance Costs

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

Long-Term Obligations

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

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

Fort Bend County Municipal Utility District No. 26
Notes to Financial Statements
September 30, 2024

Net Position/Fund Balances

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

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

Reconciliation of Government-Wide and Fund Financial Statements

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 17,511,076
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	262,025
Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the funds.	137,876
Deferred amount on debt refundings for governmental activities are not financial resources and are not reported in the funds.	56,495
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(74,810)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(35,814,648)</u>
Adjustment to fund balances to arrive at net position.	<u><u>\$ (17,921,986)</u></u>

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

Change in fund balances.	\$ 163,019
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation expense and noncapitalized costs in the current period.	940,095

Fort Bend County Municipal Utility District No. 26
Notes to Financial Statements
September 30, 2024

Governmental funds report principal payments on debt as expenditures. For the statement of activities, these transactions do not have any effect on net position.	\$ 1,140,000
Governmental funds report developer advances as other financing sources or uses as amounts are received or paid. However, for government-wide financial statements, these amounts are recorded as an increase or decrease in due to developer.	(50,000)
Revenues that do not provide current financial resources are not reported as revenues for the funds, but are reported as revenues in the statement of activities.	40,099
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(35,719)</u>
Change in net position of governmental activities.	<u>\$ 2,197,494</u>

Note 2. Deposits, Investments and Investment Income

Deposits

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

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

At September 30, 2024, none of the District’s bank balances were exposed to custodial credit risk.

Investments

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

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

The District invests in TexPool, an external investment pool that is not registered with the Securities and Exchange Commission. The State Comptroller of Public Accounts of the State of Texas has oversight of TexPool. The District’s investments in TexPool are reported at amortized cost.

Fort Bend County Municipal Utility District No. 26
Notes to Financial Statements
September 30, 2024

At September 30, 2024, the District had the following investments and maturities:

Type	Maturities in Years				
	Amortized Cost	Less Than 1	1-5	6-10	More Than 10
TexPool	\$ 19,003,916	\$ 19,003,916	\$ -	\$ -	\$ -

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

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2024, the District’s investments in TexPool were rated “AAAm” by Standard & Poor’s.

Summary of Carrying Values

The carrying values of deposits and investments shown previously are included in the balance sheet and statement of net position at September 30, 2024, as follows:

Carrying value:	
Deposits	\$ 281,370
Investments	<u>19,003,916</u>
Total	<u>\$ 19,285,286</u>

Investment Income

Investment income of \$1,036,923 for the year ended September 30, 2024, consisted of interest income.

Note 3. Capital Assets

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

Governmental Activities	Balances, Beginning of Year	Additions	Reclassifications	Balances, End of Year
Capital assets, non-depreciable:				
Land and improvements	\$ 1,807,579	\$ -	\$ -	\$ 1,807,579
Construction in progress	<u>3,830,012</u>	<u>1,266,341</u>	<u>(2,971,519)</u>	<u>2,124,834</u>
Total capital assets, non-depreciable	<u>5,637,591</u>	<u>1,266,341</u>	<u>(2,971,519)</u>	<u>3,932,413</u>

Fort Bend County Municipal Utility District No. 26
Notes to Financial Statements
September 30, 2024

<u>Governmental Activities (Continued)</u>	<u>Balances, Beginning of Year</u>	<u>Additions</u>	<u>Reclassi- fications</u>	<u>Balances, End of Year</u>
Capital assets, depreciable:				
Water production and distribution facilities	\$ 6,397,387	\$ -	\$ 127,589	\$ 6,524,976
Wastewater collection and treatment facilities	7,564,980	244,430	2,843,930	10,653,340
Drainage facilities	6,823,446	-	-	6,823,446
Park and recreation facilities	294,557	-	-	294,557
	<u>21,080,370</u>	<u>244,430</u>	<u>2,971,519</u>	<u>24,296,319</u>
Total capital assets, depreciable				
Less accumulated depreciation:				
Water production and distribution facilities	(3,917,039)	(192,133)	-	(4,109,172)
Wastewater collection and treatment facilities	(3,405,420)	(228,474)	-	(3,633,894)
Drainage facilities	(2,809,793)	(135,341)	-	(2,945,134)
Park and recreation facilities	(14,728)	(14,728)	-	(29,456)
	<u>(10,146,980)</u>	<u>(570,676)</u>	<u>-</u>	<u>(10,717,656)</u>
Total accumulated depreciation				
Total governmental activities, net	<u>\$ 16,570,981</u>	<u>\$ 940,095</u>	<u>\$ -</u>	<u>\$ 17,511,076</u>

Note 4. Long-Term Liabilities

Changes in long-term liabilities for the year ended September 30, 2024, were as follows:

<u>Governmental Activities</u>	<u>Balances, Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances, End of Year</u>	<u>Amounts Due in One Year</u>
Bonds payable:					
General obligation bonds	\$ 33,815,000	\$ -	\$ 375,000	\$ 33,440,000	\$ 370,000
Direct placement bonds	1,555,000	-	765,000	790,000	790,000
Less discounts on bonds	786,362	-	26,697	759,665	-
Add premiums on bonds	83,088	-	14,108	68,980	-
	<u>34,666,726</u>	<u>-</u>	<u>1,127,411</u>	<u>33,539,315</u>	<u>1,160,000</u>
Due to developer:					
Construction	2,225,333	-	-	2,225,333	-
Advances	-	50,000	-	50,000	-
	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$ 36,892,059</u>	<u>\$ 50,000</u>	<u>\$ 1,127,411</u>	<u>\$ 35,814,648</u>	<u>\$ 1,160,000</u>

Fort Bend County Municipal Utility District No. 26
Notes to Financial Statements
September 30, 2024

General Obligation Bonds

	Refunding Series 2014**	Refunding Series 2016
Amounts outstanding, September 30, 2024	\$790,000	\$2,590,000
Interest rates	2.42%	2.00% to 3.50%
Maturity dates, serially beginning/ending	March 1, 2025	March 1, 2025/2029
Interest payment dates	March 1/ September 1	March 1/ September 1
Callable dates*	March 1, 2022	March 1, 2024
	Series 2020	Series 2021
Amounts outstanding, September 30, 2024	\$13,675,000	\$11,175,000
Interest rates	2.00% to 2.50%	2.00% to 3.00%
Maturity dates, serially beginning/ending	March 1, 2026/2044	March 1, 2026/2046
Interest payment dates	March 1/ September 1	March 1/ September 1
Callable dates*	March 1, 2025	March 1, 2026
		Series 2022
Amount outstanding, September 30, 2024		\$6,000,000
Interest rates		3.00% to 5.50%
Maturity dates, serially beginning/ending		March 1, 2026/2047
Interest payment dates		March 1/ September 1
Callable date*		March 1, 2028

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

**Direct placement bonds

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation and direct placement bonds outstanding at September 30, 2024.

Fort Bend County Municipal Utility District No. 26
Notes to Financial Statements
September 30, 2024

Year	General Obligation Bonds		Direct Placement Bonds		Total
	Principal	Interest	Principal	Interest	
2025	\$ 370,000	\$ 874,674	\$ 790,000	\$ 9,559	\$ 2,044,233
2026	1,275,000	851,557	-	-	2,126,557
2027	1,300,000	811,744	-	-	2,111,744
2028	1,305,000	770,407	-	-	2,075,407
2029	1,315,000	731,307	-	-	2,046,307
2030-2034	6,875,000	3,197,500	-	-	10,072,500
2035-2039	7,735,000	2,356,148	-	-	10,091,148
2040-2044	8,815,000	1,299,779	-	-	10,114,779
2045-2047	4,450,000	187,437	-	-	4,637,437
Total	<u>\$ 33,440,000</u>	<u>\$ 11,080,553</u>	<u>\$ 790,000</u>	<u>\$ 9,559</u>	<u>\$ 45,320,112</u>

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

Bonds voted	\$ 90,559,688*
Bonds sold	52,680,000
Refunding bonds voted	18,000,000
Refunding bond authorization used	9,063,869

*Includes refunding authorization up to \$58,609,688, voted on November 6, 2018.

Due to Developer

A developer of the District has constructed water, sewer and drainage facilities on behalf of the District under the terms of contracts with the District. The District's engineer estimates reimbursable costs for completed projects are \$2,225,333. The District has agreed to reimburse these amounts, plus interest, to the extent approved by the Commission, from the proceeds of future bond sales. These amounts have been recorded in the financial statements as long-term liabilities.

Developer Advances

A developer of the District has advanced \$50,000 to the District for the purpose of inspecting, reviewing and verifying the design, construction and materials testing associated with the construction of detention facilities. The District has agreed to reimburse the developer for this advance from the proceeds of a future bond issue subject to the approval of the Commission. This advance has been recorded as a long-term liability in the financial statements.

Note 5. Significant Bond Order and Commission Requirements

- (A) The Bond Orders require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended September 30, 2024, the District levied an ad valorem debt service tax at the rate of \$0.58593 per \$100 of assessed valuation, which resulted in a tax levy of \$2,546,346 on the taxable valuation of \$434,581,909 for the 2023 tax year. The interest and principal requirements paid from the tax revenues were \$2,050,732.

(B) The Bond Orders state that so long as any of the bonds or coupons remain outstanding, the District covenants that it will at all times keep insured such parts of the system as are customarily insured by municipal corporations and political subdivisions in Texas operating like properties in similar locations under the same circumstances with a responsible insurance company or companies against risk, accidents or casualties against which and to the extent insurance is customarily carried by such municipal corporations and political subdivisions; provided, however, that at any time while any contractor engaged in construction work shall be fully responsible therefor, the District shall not be required to carry such insurance. At September 30, 2024, the District had real and personal property and boiler and machinery coverage in the amount of \$5,580,000 each, general liability insurance with an aggregate limit of \$3,000,000 and pollution liability coverage of \$1,000,000.

Note 6. Maintenance Taxes

At an election held August 12, 1978, voters authorized a maintenance tax not to exceed \$0.15 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended September 30, 2024, the District levied an ad valorem maintenance tax at the rate of \$0.15000 per \$100 of assessed valuation, which resulted in a tax levy of \$651,873 on the taxable valuation of \$434,581,909 for the 2023 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 7. Risk Management

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

Note 8. Agreements With Other Districts

Wastewater Treatment

The District has entered into an agreement with Thunderbird Utility District for additional wastewater treatment. In a prior year, the District acquired 90,000 gallons-per-day (gpd) permanent capacity in Thunderbird Utility District's wastewater treatment facility (the Plant) for \$585,000. During a prior year, the District purchased an additional 310,000 gpd permanent capacity for \$2,866,700. The District will pay Thunderbird Utility District a flat fee per month for each active connection. During the current year, the District paid \$184,413 in fees related to the agreement.

Note 9. Groundwater Reduction Plan Agreement

The District is within the boundaries of the Fort Bend Subsidence District (the Subsidence District), which regulates groundwater withdrawal. The District's authority to pump groundwater from its well is subject to an annual permit issued by the Subsidence District. In 2003, the Subsidence District adopted a district regulatory plan to reduce groundwater withdrawal through the conversion to surface water. The District has entered into a Groundwater Reduction Plan Agreement (GRPA) with the City of Missouri City (the City) in order to meet the Subsidence District's requirements. As a participant in the GRPA, the District has complied with all Subsidence District requirements for surface water conversion, but is obligated to pay to the City a groundwater withdrawal fee for all groundwater produced and used by the District and a water purchase fee for any water actually

Fort Bend County Municipal Utility District No. 26
Notes to Financial Statements
September 30, 2024

purchased from the City in the future. As of September 30, 2024, the City was billing the District \$1.99 per 1,000 gallons of water pumped from its wells. This rate is subject to future adjustments. During the current year, the District incurred fees totaling \$301,764 for groundwater withdrawal.

Note 10. Contingencies

A developer of the District is constructing facilities within the boundaries of the District. The District has agreed to reimburse the developer for a portion of these costs, plus interest, from the proceeds of future bond sales, to the extent approved by the Commission. The District's engineer has stated that current construction contract amounts are approximately \$1,947,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Required Supplementary Information

**Fort Bend County Municipal Utility District No. 26
 Budgetary Comparison Schedule – General Fund
 Year Ended September 30, 2024**

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 641,000	\$ 646,817	\$ 5,817
Water service	459,500	512,855	53,355
Sewer service	425,000	448,961	23,961
Groundwater reduction plan fee	265,000	276,640	11,640
Garbage service	350,000	386,266	36,266
Penalty and interest	42,000	54,794	12,794
Tap connection and inspection fees	30,000	291,451	261,451
Investment income	84,000	97,861	13,861
Other income	39,600	19,052	(20,548)
	<u>2,336,100</u>	<u>2,734,697</u>	<u>398,597</u>
Expenditures			
Service operations:			
Purchased services	175,000	184,413	(9,413)
Groundwater reduction plan fee	265,000	301,764	(36,764)
Professional fees	280,000	456,533	(176,533)
Contracted services	575,500	597,483	(21,983)
Utilities	95,000	93,160	1,840
Repairs and maintenance	646,000	627,699	18,301
Other expenditures	134,265	151,282	(17,017)
Tap connections	30,000	80,503	(50,503)
Capital outlay	-	15,500	(15,500)
	<u>2,200,765</u>	<u>2,508,337</u>	<u>(307,572)</u>
Excess of Revenues Over Expenditures	135,335	226,360	91,025
Other Financing Sources			
Developer advances	-	50,000	50,000
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	135,335	276,360	141,025
Fund Balance, Beginning of Year	<u>1,332,647</u>	<u>1,332,647</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,467,982</u>	<u>\$ 1,609,007</u>	<u>\$ 141,025</u>

Fort Bend County Municipal Utility District No. 26
Notes to Required Supplementary Information
September 30, 2024

Budgets and Budgetary Accounting

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was not amended during fiscal 2024.

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

Supplementary Information

**Fort Bend County Municipal Utility District No. 26
Other Schedules Included Within This Report
September 30, 2024**

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

- [X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 11-22
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedule of Long-Term Debt Service Requirements by Years
- [X] Changes in Long-Term Bonded Debt
- [X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund –Five
Years
- [X] Board Members, Key Personnel and Consultants

Fort Bend County Municipal Utility District No. 26
Schedule of Services and Rates
Year Ended September 30, 2024

1. Services provided by the District:

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

2. Retail service providers

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate Per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>
Water:	\$ 9.50	1,000	N	\$ 1.70	1,001 to 20,000
				\$ 2.25	20,001 to No Limit
Wastewater:	\$ 10.00	1,000	N	\$ 1.70	1,001 to 20,000
				\$ 2.35	20,001 to No Limit
Groundwater reduction plan fee:	\$ 2.19	1	N	\$ 2.19	1 to No Limit

Does the District employ winter averaging for wastewater usage?

Yes No

Total charges per 10,000 gallons usage (including fees):

Water \$ 46.70

Wastewater \$ 25.30

b. Water and wastewater retail connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC*</u>
Unmetered	-	-	x1.0	-
≤ 3/4"	1,871	1,843	x1.0	1,843
1"	23	21	x2.5	53
1 1/2"	8	7	x5.0	35
2"	28	26	x8.0	208
3"	2	2	x15.0	30
4"	2	2	x25.0	50
6"	-	-	x50.0	-
8"	-	-	x80.0	-
10"	-	-	x115.0	-
Total water	1,934	1,901		2,219
Total wastewater	1,904	1,886	x1.0	1,886

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

Gallons pumped into the system:

151,769

Gallons billed to customers:

141,768

Water accountability ratio (gallons billed/gallons pumped):

93.41%

*"ESFC" means equivalent single-family connections

Fort Bend County Municipal Utility District No. 26
Schedule of General Fund Expenditures
Year Ended September 30, 2024

Personnel (including benefits)		\$	-
Professional Fees			
Auditing	\$	24,200	
Legal		167,823	
Engineering		264,510	
Financial advisor		-	456,533
Purchased Services for Resale			
Bulk water and wastewater service purchases			184,413
Groundwater Reduction Plan Fee			301,764
Contracted Services			
Bookkeeping		26,625	
General manager		-	
Appraisal district		-	
Tax collector		-	
Security		-	
Other contracted services		185,317	211,942
Utilities			93,160
Repairs and Maintenance			627,699
Administrative Expenditures			
Directors' fees		33,185	
Office supplies		33,268	
Insurance		21,365	
Other administrative expenditures		63,464	151,282
Capital Outlay			
Capitalized assets		15,500	
Expenditures not capitalized		-	15,500
Tap Connection Expenditures			80,503
Solid Waste Disposal			385,541
Fire Fighting			-
Parks and Recreation			-
Other Expenditures			-
Total expenditures		\$	<u><u>2,508,337</u></u>

Fort Bend County Municipal Utility District No. 26
Schedule of Temporary Investments
September 30, 2024

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Face Amount</u>	<u>Accrued Interest Receivable</u>
General Fund				
TexPool	4.98%	Demand	\$ 1,885,151	\$ -
Debt Service Fund				
TexPool	4.98%	Demand	3,930,400	-
Capital Projects Fund				
TexPool	4.98%	Demand	7,232,944	-
TexPool	4.98%	Demand	1,044,466	-
TexPool	4.98%	Demand	4,910,955	-
			<u>13,188,365</u>	<u>-</u>
Totals			<u>\$ 19,003,916</u>	<u>\$ -</u>

**Fort Bend County Municipal Utility District No. 26
 Analysis of Taxes Levied and Receivable
 Year Ended September 30, 2024**

	Maintenance Taxes	Debt Service Taxes
Receivable, Beginning of Year	\$ 45,128	\$ 197,066
Additions and corrections to prior years' taxes	(526)	(2,091)
Adjusted receivable, beginning of year	<u>44,602</u>	<u>194,975</u>
2023 Original Tax Levy	659,692	2,576,889
Additions and corrections	(7,819)	(30,543)
Adjusted tax levy	<u>651,873</u>	<u>2,546,346</u>
Total to be accounted for	696,475	2,741,321
Tax collections: Current year	(632,710)	(2,471,494)
Prior years	(14,107)	(57,460)
Receivable, end of year	<u>\$ 49,658</u>	<u>\$ 212,367</u>
Receivable, by Years		
2023	\$ 19,163	\$ 74,852
2022	9,055	36,409
2021	6,050	25,304
2020	3,910	16,506
2019	2,955	12,475
2018	2,187	9,776
2017	1,576	7,103
2016	1,120	5,125
2015	995	4,575
2014	767	3,709
2013	416	2,912
2012	354	2,489
2011 and prior	<u>1,110</u>	<u>11,132</u>
Receivable, end of year	<u>\$ 49,658</u>	<u>\$ 212,367</u>

**Fort Bend County Municipal Utility District No. 26
 Analysis of Taxes Levied and Receivable
 Year Ended September 30, 2024**

(Continued)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Property Valuations				
Land	\$ 55,516,119	\$ 55,641,240	\$ 54,977,300	\$ 54,597,100
Improvements	386,228,494	336,841,664	266,690,595	228,822,655
Personal property	16,385,790	14,863,030	13,570,120	10,333,011
Exemptions	<u>(23,548,494)</u>	<u>(19,643,455)</u>	<u>(16,692,829)</u>	<u>(14,564,904)</u>
Total property valuations	<u>\$ 434,581,909</u>	<u>\$ 387,702,479</u>	<u>\$ 318,545,186</u>	<u>\$ 279,187,862</u>
Tax Rates per \$100 Valuation				
Debt service tax rates	\$ 0.58593	\$ 0.60315	\$ 0.62740	\$ 0.63320
Maintenance tax rates*	<u>0.15000</u>	<u>0.15000</u>	<u>0.15000</u>	<u>0.15000</u>
Total tax rates per \$100 valuation	<u>\$ 0.73593</u>	<u>\$ 0.75315</u>	<u>\$ 0.77740</u>	<u>\$ 0.78320</u>
Tax Levy	<u>\$ 3,198,219</u>	<u>\$ 2,919,981</u>	<u>\$ 2,476,370</u>	<u>\$ 2,186,599</u>
Percent of Taxes Collected to Taxes Levied**	<u>97%</u>	<u>98%</u>	<u>99%</u>	<u>99%</u>

*Maximum tax rate approved by voters: \$0.15 on August 12, 1978

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

**Fort Bend County Municipal Utility District No. 26
 Schedule of Long-Term Debt Service Requirements by Years
 September 30, 2024**

Refunding Series 2014			
Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1, September 1	Total
2025	\$ 790,000	\$ 9,559	\$ 799,559

Fort Bend County Municipal Utility District No. 26
 Schedule of Long-Term Debt Service Requirements by Years
 September 30, 2024

(Continued)

<u>Refunding Series 2016</u>			
<u>Due During Fiscal Years Ending September 30</u>	<u>Principal Due March 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2025	\$ 370,000	\$ 74,756	\$ 444,756
2026	550,000	64,638	614,638
2027	550,000	48,825	598,825
2028	555,000	29,488	584,488
2029	565,000	9,888	574,888
Totals	<u>\$ 2,590,000</u>	<u>\$ 227,595</u>	<u>\$ 2,817,595</u>

Fort Bend County Municipal Utility District No. 26
Schedule of Long-Term Debt Service Requirements by Years
September 30, 2024

(Continued)

<u>Due During Fiscal Years Ending September 30</u>	<u>Series 2020</u>		
	<u>Principal Due March 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2025	\$ -	\$ 314,793	\$ 314,793
2026	75,000	314,044	389,044
2027	100,000	312,294	412,294
2028	100,000	310,294	410,294
2029	100,000	308,294	408,294
2030	640,000	300,894	940,894
2031	670,000	287,794	957,794
2032	700,000	274,094	974,094
2033	730,000	259,337	989,337
2034	760,000	243,506	1,003,506
2035	795,000	226,984	1,021,984
2036	835,000	209,144	1,044,144
2037	870,000	189,963	1,059,963
2038	910,000	169,369	1,079,369
2039	950,000	147,281	1,097,281
2040	995,000	123,562	1,118,562
2041	1,040,000	98,125	1,138,125
2042	1,085,000	71,562	1,156,562
2043	1,135,000	43,812	1,178,812
2044	1,185,000	14,812	1,199,812
Totals	<u>\$ 13,675,000</u>	<u>\$ 4,219,958</u>	<u>\$ 17,894,958</u>

**Fort Bend County Municipal Utility District No. 26
Schedule of Long-Term Debt Service Requirements by Years
September 30, 2024**

(Continued)

<u>Due During Fiscal Years Ending September 30</u>	<u>Series 2021</u>		
	<u>Principal Due March 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2025	\$ -	\$ 247,125	\$ 247,125
2026	450,000	240,375	690,375
2027	450,000	229,125	679,125
2028	450,000	220,125	670,125
2029	450,000	211,125	661,125
2030	475,000	201,875	676,875
2031	475,000	192,375	667,375
2032	475,000	182,875	657,875
2033	475,000	173,375	648,375
2034	475,000	163,875	638,875
2035	475,000	154,375	629,375
2036	475,000	144,875	619,875
2037	475,000	135,078	610,078
2038	475,000	124,985	599,985
2039	475,000	114,594	589,594
2040	475,000	103,906	578,906
2041	475,000	92,922	567,922
2042	475,000	81,641	556,641
2043	475,000	70,359	545,359
2044	475,000	59,078	534,078
2045	1,125,000	40,078	1,165,078
2046	1,125,000	13,359	1,138,359
Totals	<u>\$ 11,175,000</u>	<u>\$ 3,197,500</u>	<u>\$ 14,372,500</u>

Fort Bend County Municipal Utility District No. 26
Schedule of Long-Term Debt Service Requirements by Years
September 30, 2024

(Continued)

<u>Due During Fiscal Years Ending September 30</u>	<u>Series 2022</u>		
	<u>Principal Due March 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2025	\$ -	\$ 238,000	\$ 238,000
2026	200,000	232,500	432,500
2027	200,000	221,500	421,500
2028	200,000	210,500	410,500
2029	200,000	202,000	402,000
2030	200,000	196,000	396,000
2031	200,000	190,000	390,000
2032	200,000	183,750	383,750
2033	200,000	177,250	377,250
2034	200,000	170,500	370,500
2035	200,000	163,500	363,500
2036	200,000	156,000	356,000
2037	200,000	148,000	348,000
2038	200,000	140,000	340,000
2039	200,000	132,000	332,000
2040	200,000	124,000	324,000
2041	200,000	116,000	316,000
2042	200,000	108,000	308,000
2043	200,000	100,000	300,000
2044	200,000	92,000	292,000
2045	700,000	74,000	774,000
2046	750,000	45,000	795,000
2047	750,000	15,000	765,000
Totals	<u>\$ 6,000,000</u>	<u>\$ 3,435,500</u>	<u>\$ 9,435,500</u>

Fort Bend County Municipal Utility District No. 26
Schedule of Long-Term Debt Service Requirements by Years
September 30, 2024

(Continued)

<u>Due During Fiscal Years Ending September 30</u>	<u>Annual Requirements For All Series</u>		
	<u>Total Principal Due</u>	<u>Total Interest Due</u>	<u>Total Principal and Interest Due</u>
2025	\$ 1,160,000	\$ 884,233	\$ 2,044,233
2026	1,275,000	851,557	2,126,557
2027	1,300,000	811,744	2,111,744
2028	1,305,000	770,407	2,075,407
2029	1,315,000	731,307	2,046,307
2030	1,315,000	698,769	2,013,769
2031	1,345,000	670,169	2,015,169
2032	1,375,000	640,719	2,015,719
2033	1,405,000	609,962	2,014,962
2034	1,435,000	577,881	2,012,881
2035	1,470,000	544,859	2,014,859
2036	1,510,000	510,019	2,020,019
2037	1,545,000	473,041	2,018,041
2038	1,585,000	434,354	2,019,354
2039	1,625,000	393,875	2,018,875
2040	1,670,000	351,468	2,021,468
2041	1,715,000	307,047	2,022,047
2042	1,760,000	261,203	2,021,203
2043	1,810,000	214,171	2,024,171
2044	1,860,000	165,890	2,025,890
2045	1,825,000	114,078	1,939,078
2046	1,875,000	58,359	1,933,359
2047	750,000	15,000	765,000
Totals	<u>\$ 34,230,000</u>	<u>\$ 11,090,112</u>	<u>\$ 45,320,112</u>

Fort Bend County Municipal Utility District No. 26
Changes in Long-Term Bonded Debt
Year Ended September 30, 2024

	Bond		
	Refunding Series 2014	Refunding Series 2016	Series 2020
Interest rates	2.42%	2.00% to 3.50%	2.00% to 2.50%
Dates interest payable	March 1/ September 1	March 1/ September 1	March 1/ September 1
Maturity dates	March 1, 2025	March 1, 2025/2029	March 1, 2026/2044
Bonds outstanding, beginning of current year	\$ 1,555,000	\$ 2,965,000	\$ 13,675,000
Retirements, principal	<u>765,000</u>	<u>375,000</u>	<u>-</u>
Bonds outstanding, end of current year	<u>\$ 790,000</u>	<u>\$ 2,590,000</u>	<u>\$ 13,675,000</u>
Interest paid during current year	<u>\$ 28,375</u>	<u>\$ 82,438</u>	<u>\$ 314,794</u>

Paying agent's name and address:

- Series 2014** - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
- Series 2016** - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
- Series 2020** - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
- Series 2021** - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
- Series 2022** - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Bond authority:

	Tax Bonds	Other Bonds	Refunding Bonds
Amount authorized by voters	\$ 90,559,688 *	\$ -	\$ 18,000,000
Amount issued	<u>\$ 52,680,000</u>	<u>\$ -</u>	<u>\$ 9,063,869</u>
Remaining to be issued	<u>\$ 37,879,688</u>	<u>\$ -</u>	<u>\$ 8,936,131</u>

Debt service fund cash and temporary investment balances as of September 30, 2024:

\$ 3,972,911

Average annual debt service payment (principal and interest) for remaining term of all debt:

\$ 1,970,440

*Includes refunding authorization up to \$58,609,688, voted on November 6, 2018.

Issues

<u>Series 2021</u>	<u>Series 2022</u>	<u>Totals</u>
2.00% to 3.00%	3.00% to 5.50%	
March 1/ September 1	March 1/ September 1	
March 1, 2026/2046	March 1, 2026/2047	
\$ 11,175,000	\$ 6,000,000	\$ 35,370,000
-	-	1,140,000
<u>\$ 11,175,000</u>	<u>\$ 6,000,000</u>	<u>\$ 34,230,000</u>
<u>\$ 247,125</u>	<u>\$ 238,000</u>	<u>\$ 910,732</u>

Fort Bend County Municipal Utility District No. 26
Comparative Schedule of Revenues and Expenditures – General Fund
Five Years Ended September 30,

	Amounts				
	2024	2023	2022	2021	2020
General Fund					
Revenues					
Property taxes	\$ 646,817	\$ 566,916	\$ 474,455	\$ 412,155	\$ 366,432
Water service	512,855	468,283	459,121	451,894	398,561
Sewer service	448,961	441,357	422,012	424,422	385,488
Groundwater reduction plan fee	276,640	266,960	250,755	239,892	221,370
Garbage service	386,266	368,032	353,058	337,495	316,373
Penalty and interest	54,794	39,920	42,529	37,843	36,918
Tap connection and inspection fees	291,451	25,200	556	118,925	176,685
Investment income	97,861	72,443	7,206	869	11,872
Other income	19,052	41,441	18,432	13,156	32,278
Total revenues	<u>2,734,697</u>	<u>2,290,552</u>	<u>2,028,124</u>	<u>2,036,651</u>	<u>1,945,977</u>
Expenditures					
Service operations:					
Purchased services	184,413	172,434	135,975	128,044	186,623
Groundwater reduction plan fee	301,764	276,757	264,149	240,186	222,367
Professional fees	456,533	361,333	421,409	260,292	337,205
Contracted services	597,483	572,851	553,886	535,928	499,692
Utilities	93,160	90,850	87,430	70,404	84,772
Repairs and maintenance	627,699	714,931	650,277	788,377	480,514
Other expenditures	151,282	143,924	121,740	112,545	96,998
Tap connections	80,503	11,908	-	58,205	97,260
Capital outlay	15,500	250	4,001	80,252	50,000
Debt service, debt issuance costs	-	-	-	1,000	-
Total expenditures	<u>2,508,337</u>	<u>2,345,238</u>	<u>2,238,867</u>	<u>2,275,233</u>	<u>2,055,431</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>226,360</u>	<u>(54,686)</u>	<u>(210,743)</u>	<u>(238,582)</u>	<u>(109,454)</u>
Other Financing Sources					
Interfund transfers in	-	361,426	-	79,993	409,945
Developer advances	50,000	-	-	-	176,200
Total other financing sources	<u>50,000</u>	<u>361,426</u>	<u>-</u>	<u>79,993</u>	<u>586,145</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>276,360</u>	<u>306,740</u>	<u>(210,743)</u>	<u>(158,589)</u>	<u>476,691</u>
Fund Balance, Beginning of Year	<u>1,332,647</u>	<u>1,025,907</u>	<u>1,236,650</u>	<u>1,395,239</u>	<u>918,548</u>
Fund Balance, End of Year	<u>\$ 1,609,007</u>	<u>\$ 1,332,647</u>	<u>\$ 1,025,907</u>	<u>\$ 1,236,650</u>	<u>\$ 1,395,239</u>
Total Active Retail Water Connections	<u>1,901</u>	<u>1,798</u>	<u>1,801</u>	<u>1,786</u>	<u>1,699</u>
Total Active Retail Wastewater Connections	<u>1,886</u>	<u>1,769</u>	<u>1,769</u>	<u>1,758</u>	<u>1,672</u>

Percent of Fund Total Revenues

<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
23.7 %	24.8 %	23.4 %	20.2 %	18.8 %
17.5	20.4	22.6	22.2	20.5
16.4	19.3	20.8	20.8	19.8
10.1	11.6	12.4	11.8	11.4
14.1	16.1	17.4	16.6	16.3
2.0	1.7	2.1	1.9	1.9
11.9	1.1	0.0	5.8	9.1
3.6	3.2	0.4	0.0	0.6
0.7	1.8	0.9	0.7	1.6
100.0	100.0	100.0	100.0	100.0
6.7	7.5	6.7	6.3	9.6
11.0	12.1	13.0	11.8	11.4
16.7	15.8	20.8	12.8	17.3
21.9	25.0	27.3	26.3	25.7
3.4	4.0	4.3	3.5	4.3
23.0	31.2	32.1	38.7	24.7
5.5	6.3	6.0	5.5	5.0
2.9	0.5	-	2.9	5.0
0.6	0.0	0.2	3.9	2.6
-	-	-	0.0	-
91.7	102.4	110.4	111.7	105.6
8.3 %	(2.4) %	(10.4) %	(11.7) %	(5.6) %

Fort Bend County Municipal Utility District No. 26
Comparative Schedule of Revenues and Expenditures – Debt Service Fund
Five Years Ended September 30,

	Amounts				
	2024	2023	2022	2021	2020
Debt Service Fund					
Revenues					
Property taxes	\$ 2,528,954	\$ 2,280,701	\$ 1,985,664	\$ 1,736,554	\$ 1,552,717
Penalty and interest	58,255	55,630	64,890	35,862	68,807
Investment income	207,053	158,540	21,590	1,420	24,925
Total revenues	2,794,262	2,494,871	2,072,144	1,773,836	1,646,449
Expenditures					
Current:					
Professional fees	28,696	18,699	15,100	8,228	7,128
Contracted services	46,999	47,531	45,208	40,763	36,730
Other expenditures	11,927	10,014	8,673	12,534	7,559
Debt service:					
Principal retirement	1,140,000	1,120,000	1,095,000	1,055,000	1,010,000
Interest and fees	913,956	928,458	733,561	616,845	360,053
Total expenditures	2,141,578	2,124,702	1,897,542	1,733,370	1,421,470
Excess of Revenues Over Expenditures	652,684	370,169	174,602	40,466	224,979
Fund Balance, Beginning of Year	3,323,266	2,953,097	2,778,495	2,738,029	2,513,050
Fund Balance, End of Year	\$ 3,975,950	\$ 3,323,266	\$ 2,953,097	\$ 2,778,495	\$ 2,738,029

Percent of Fund Total Revenues

<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
90.5 %	91.4 %	95.8 %	97.9 %	94.3 %
2.1	2.2	3.1	2.0	4.2
<u>7.4</u>	<u>6.4</u>	<u>1.1</u>	<u>0.1</u>	<u>1.5</u>
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
1.0	0.8	0.7	0.4	0.4
1.7	1.9	2.2	2.3	2.2
0.4	0.4	0.4	0.7	0.5
40.8	44.9	52.9	59.5	61.3
<u>32.7</u>	<u>37.2</u>	<u>35.4</u>	<u>34.8</u>	<u>21.9</u>
<u>76.6</u>	<u>85.2</u>	<u>91.6</u>	<u>97.7</u>	<u>86.3</u>
<u>23.4 %</u>	<u>14.8 %</u>	<u>8.4 %</u>	<u>2.3 %</u>	<u>13.7 %</u>

**Fort Bend County Municipal Utility District No. 26
Board Members, Key Personnel and Consultants
Year Ended September 30, 2024**

Complete District mailing address:	Fort Bend County Municipal Utility District No. 26 c/o Smith, Murdaugh, Little & Bonham, L.L.P. 2727 Allen Parkway, Suite 1100 Houston, Texas 77019
District business telephone number:	713.652.6500
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	March 18, 2024
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

<u>Board Members</u>	<u>Term of Office Elected & Expires</u>	<u>Fees*</u>	<u>Expense Reimbursements</u>	<u>Title at Year-End</u>
Demonica Johnson	Elected 05/24- 05/28	\$ 7,072	\$ 5,301	President
Charles Benton	Elected 05/24- 05/28	5,967	3,283	Vice President
Frederick Walker	Elected 05/22- 05/26	7,200	631	Secretary
Natasha Wardsworth	Elected 05/24- 05/28	3,757	3,675	Assistant Secretary
Toxie Cockrell	Elected 05/22- 05/26	7,200	1,458	Treasurer
Kevin Wheeler	Elected 05/20- 05/24	1,989	-	Term Expired

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

**Fort Bend County Municipal Utility District No. 26
Board Members, Key Personnel and Consultants
Year Ended September 30, 2024**

(Continued)

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Claudia Redden & Associates, LLC	Prior to 10/01/82	\$ 33,532	Bookkeeper
Fort Bend Central Appraisal District	Legislative Action	21,560	Appraiser
Forvis Mazars, LLP	11/12/85	24,200	Auditor
Linebarger Goggan Blair & Sampson, LLP	04/19/95	28,696	Delinquent Tax Attorney
Masterson Advisors, LLC	05/16/18	-	Financial Advisor
Quail Valley Utility District	03/19/80	928,904	Operator
Saliger Engineering Corp.	10/11/88	492,420	Engineer
Smith, Murdaugh, Little & Bonham, L.L.P.	08/01/78	170,824	General Counsel
Utility Tax Service, LLC	02/02/05	33,306	Tax Assessor/ Collector
Investment Officer			
Charles Benton	08/16/17	N/A	Director

APPENDIX B

Specimen Municipal Bond Insurance Policy



BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____
Member Surplus Contribution: \$ _____
Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the “Trustee”) or paying agent (the “Paying Agent”) for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner’s right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner’s rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner’s right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. “Business Day” means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer’s Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. “Due for Payment” means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. “Nonpayment” means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. “Nonpayment” shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. “Notice” means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. “Owner” means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that “Owner” shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIAL MEMBER

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN