

FORT BEND COUNTY  
WATER CONTROL AND IMPROVEMENT  
DISTRICT NO. 2  
(A Political Subdivision Located in  
Fort Bend and Harris Counties, Texas)

OFFICIAL NOTICE OF SALE AND  
PRELIMINARY OFFICIAL STATEMENT

\$41,500,000  
UNLIMITED TAX BONDS  
SERIES 2024A  
DATED: August 28, 2024

BIDS TO BE SUBMITTED:  
9:00 A.M., Central Time  
Wednesday, October 9, 2024

BIDS TO BE PRESENTED:  
6:30 P.M., Central Time  
Wednesday, October 9, 2024



Capital  
Markets

Financial Advisor

This Official Notice of Sale does not alone constitute an offer to sell, but is merely notice of sale of the bonds described herein. The offer to sell such bonds is being made by means of this Official Notice of Sale, the Official Bid Form and the Preliminary Official Statement.

NEW ISSUE – Book-Entry-Only

**OFFICIAL NOTICE OF SALE**

\$41,500,000

FORT BEND COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

(A Political Subdivision of the State of Texas  
Located in Fort Bend and Harris Counties, Texas)

**UNLIMITED TAX BONDS  
SERIES 2024A**

Bids Due by: Wednesday, October 9, 2024 at 9:00 A.M., Central Time

The Bonds are obligations solely of Fort Bend County Water Control and Improvement District No. 2 (the “District”) and are not obligations of the State of Texas (the “State”), Fort Bend County, Harris County, the City of Stafford, the City of Missouri City, the City of Sugar Land, the City of Houston, or any entity other than the District.

**THE SALE**

**Bonds Offered for Sale at Competitive Bidding . . .** The District is offering for sale \$41,500,000 Unlimited Tax Bonds, Series 2024A (the “Bonds”).

**Place and Time of Sale . . .** The Board will publicly receive bids at the designated meeting place within the boundaries of the District at 2331 South Main, Stafford, Texas 77477, at 6:30 P.M., Central Time, Wednesday, October 9, 2024. Two (2) sealed bids, which must be submitted in duplicate on the Official Bid Form and plainly marked “Bid for Bonds,” are to be addressed to “President and Board of Directors, Fort Bend County Water Control and Improvement District No. 2” and should be delivered to the District’s Financial Advisor, RBC Capital Markets, LLC, 609 Main St., Suite 3600, Houston, Texas 77002 prior to 9:00 A.M., Central Time, on Wednesday, October 9, 2024. Any bid received after such scheduled time will not be accepted and will be returned unopened. At a Board of Directors meeting on Wednesday, October 9, 2024, at 6:30 P.M., Central Time, the Board will immediately take action to reject any and all bids or accept the bid most favorable to the District as determined by the Board of Directors. Please consult the public notice for said meeting for details regarding public access and means of attendance of said meeting. The District reserves the right to postpone the bond sale, if needed.

**Electronic Bidding Procedure . . .** Any prospective bidder that intends to submit an electronic bid must submit its electronic bid through the facilities of PARITY. Bidders must submit, prior to 9:00 A.M., Central Time, Wednesday, October 9, 2024, SIGNED Official Bid Forms, in duplicate, to Leslie Cook, RBC Capital Markets, LLC, 609 Main St., Suite 3600, Houston, Texas 77002. Subscription to the i-Deal’s BIDCOMP Competitive Bidding System is required in order to submit an electronic bid. The District will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe. Electronic bids must be received via PARITY in the manner described below, by 9:00 A.M., Central Time, on Wednesday, October 9, 2024.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Bonds on the terms provided in the Official Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the District. The District shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of, PARITY, the use of such facilities being the sole risk of the prospective bidder.

If any provisions of the Official Notice of Sale shall conflict with information provided by PARITY as the approved provider of electronic bidding services, this Official Notice of Sale shall control. Further information about PARITY, including any fee charged, may be obtained from PARITY Customer Support, 40 West 23rd Street, 5th Floor, New York, NY 10010, telephone: (212) 806-8304.

For purposes of both the written bid process and the electronic bidding process, the time as maintained by PARITY shall constitute the official time. For information purposes only, bidders are requested to state in their electronic bids the net effective interest rate to the District, as described under “CONDITIONS OF SALE – Basis of Award” below. All electronic bids shall be deemed to incorporate the provisions of this Official Notice of Sale and the Official Bid Form.

**Receipt of Bids: . . .** Bidders must submit, prior to 9:00 A.M., Central Time, October 9, 2024, two (2) duplicate SIGNED Official Bid Forms to Leslie Cook, RBC Capital Markets, LLC, 609 Main St., Suite 3600, Houston, Texas 77002 on the date of sale. The District will not accept bids submitted by facsimile or bids by telephone.

**Late Bids and Irregularities:** . . . RBC Capital Markets, LLC is not authorized to receive and will not be responsible for the submission of any bids made after the time prescribed nor does the District or RBC Capital Markets, LLC assume any responsibility or liability with respect to any irregularities associated with the submission, transcription, delivery, or electronic transmission of any bid.

**Award and Sale of Bonds** . . . The Bonds will be sold in one block on an “all or none” basis. The District will take action to award the Bonds or reject all bids promptly upon the opening of bids. Upon awarding the Bonds to the winning bidder, the District will also adopt the resolution authorizing issuance of the Bonds (the “Bond Resolution”). Sale of the Bonds will be made subject to the terms, conditions and provisions of the Bond Resolution to which Bond Resolution reference is hereby made for all purposes. The District reserves the right to reject any and all bids and to waive any irregularities, except the time of filing.

## THE BONDS

**Description of Bonds** . . . The Bonds will be dated and interest on the Bonds will accrue from November 7, 2024 (the “Date of Delivery”), with interest payable on March 1, 2025, and semiannually on each September 1 and March 1 thereafter (each an “Interest Payment Date”) until the earlier of maturity or prior redemption. The Bonds will be delivered to the initial purchaser as one Bond for each maturity, in fully registered form, and may be exchanged for Bonds in the denomination of \$5,000 or any integral multiple thereof. Principal and semiannual interest will be paid by The Bank of New York Mellon Trust Company, N.A., Houston, Texas, as paying agent/registrar (the “Paying Agent” or “Registrar”). The Bonds will initially be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. The Bonds mature serially on September 1 in the years and amounts shown below.

Due (9/1)	Principal Amount	Interest Rate	Due (9/1)	Principal Amount	Interest Rate
2025	\$4,000,000	_____ %	2038 <sup>(a)</sup>	\$385,000	_____ %
2026	4,625,000	_____ %	2039 <sup>(a)</sup>	1,025,000	_____ %
2027	1,495,000	_____ %	2040 <sup>(a)</sup>	400,000	_____ %
2028	905,000	_____ %	2041 <sup>(a)</sup>	400,000	_____ %
2029	345,000	_____ %	2042 <sup>(a)</sup>	410,000	_____ %
2030	355,000	_____ %	2043 <sup>(a)</sup>	420,000	_____ %
2031 <sup>(a)</sup>	365,000	_____ %	2044 <sup>(a)</sup>	425,000	_____ %
2032 <sup>(a)</sup>	375,000	_____ %	2045 <sup>(a)</sup>	430,000	_____ %
2033 <sup>(a)</sup>	385,000	_____ %	2046 <sup>(a)</sup>	425,000	_____ %
2034 <sup>(a)</sup>	390,000	_____ %	2047 <sup>(a)</sup>	6,800,000	_____ %
2035 <sup>(a)</sup>	380,000	_____ %	2048 <sup>(a)</sup>	7,105,000	_____ %
2036 <sup>(a)</sup>	365,000	_____ %	2049 <sup>(a)</sup>	8,920,000	_____ %
2037 <sup>(a)</sup>	370,000	_____ %			

(a) The Bonds maturing on or after September 1, 2031, are subject to optional redemption in whole or from time to time in part on September 1, 2030 or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption.

**Redemption Provisions** . . . The District reserves the right to redeem prior to maturity those Bonds maturing on or after September 1, 2031, in whole or from time to time in part in integral multiples of \$5,000 on September 1, 2030, or any date thereafter, at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. If less than all of the Bonds within a maturity are redeemed, the particular Bonds or portions thereof to be redeemed shall be selected by the Registrar by lot or other random customary selection method.

**Source and Security of Payment** . . . The Bonds will constitute valid and legally binding obligations of the District, with principal and interest payable solely from the proceeds of a continuing direct annual ad valorem tax levied against all taxable property located within the District which, under Texas law, is without legal limitation as to rate or amount.

**Other Terms and Covenants** . . . Other terms of the Bonds and various covenants of the District contained in the Bond Resolution are described in the Preliminary Official Statement, to which Bond Resolution reference is made for all purposes.

## CONDITIONS OF SALE

**Types of Bids and Interest Rates . . .** The Bonds will be sold in one block, all or none, and no bid of less than 97% of par value plus accrued interest to the Date of Delivery will be considered. The net effective interest rate, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended, on the Bonds may not exceed 2% above the Daily Bond Buyer's weekly "20 Bond Index" published over the one-month period preceding the sale date of the Bonds. The difference between the highest interest rate bid and the lowest interest rate bid shall not exceed 3%. Interest rates must be in multiples of 1/8 or 1/20 of 1%. Any number of interest rates and rate changes may be named, but graduating or declining interest rates within a maturity, split interest rates within a maturity, or supplemental or zero interest rates will not be acceptable. No bid that generates a cash premium greater than \$5,000 will be considered.

**Serial Bonds and/or Term Bonds . . .** Bidders have the option of specifying that the principal amount of the Bonds payable in any two or more consecutive years may, in lieu of maturing in each of such years, be combined into one or more term bonds. Term bonds may be used for any of the maturities in the years 2031 through 2049, both inclusive.

In the event that bidders choose to specify one or more term bonds, such term bonds will be subject to mandatory redemption by the District prior to their scheduled maturities on September 1 in the years and in the amounts set forth in the maturity schedule of the serial bonds. The term bonds, along with the serial bonds maturing on and after September 1, 2031, will be subject to optional redemption on September 1, 2030, or any date thereafter, in whole or from time to time in part, at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS – Redemption Provisions" in the Preliminary Official Statement.

**Basis of Award . . .** For the purpose of awarding the sale of the Bonds, the total interest cost of each bid will be computed by determining, at the interest rate or rates specified therein, the total dollar value of all interest on the Bonds from the date thereof to their respective maturities and adding thereto the dollar amount of the discount bid, if any, or deducting therefrom the premium bid, if any. The District reserves the right to reject any or all bids and to waive any and all irregularities except timeliness of filing. Subject to such rights, sale of the Bonds will be awarded to the bidder (the "Initial Purchaser") whose bid, based on the above computation, produces the lowest net effective interest rate to the District subject to compliance with Texas Government Code § 2252.908.

In the event of mathematical discrepancies between the interest rate or rates and the interest rate cost determined therefrom, as both appear on the Official Bid Form, the bid will be solely governed by the interest rates shown on the Official Bid Form.

**Provision of Texas Ethics Commission Form 1295 ("TEC Form 1295") by Bidders . . .** Pursuant to Texas Government Code § 2252.908 (the "Interested Party Disclosure Act" or the "Act"), the District may not award the Bonds to a bidder unless the bidder, and each syndicate member listed on the Official Bid Form, unless such bidder or syndicate member is exempt from such requirements pursuant to Texas Government Code §2252.908(C)(4), have provided to the District a completed and signed TEC Form 1295 which has been assigned a certificate number by the Texas Ethics Commission (the "TEC"). Pursuant to the rules prescribed by the TEC, the TEC Form 1295 must be completed online through the TEC's website, assigned a certificate number, printed, signed and provided to the District. The TEC Form 1295 may accompany the Official Bid Form or may be submitted separately, but must be provided to the District prior to the time prescribed for the award of the Bonds. The TEC Form 1295 may be provided to the District electronically, however, the original signed and notarized TEC Form 1295 complete with certificate number must be physically delivered to the District within two business days of the award. Following the award of the Bonds, the District will notify the TEC of the receipt of each completed TEC Form 1295. The District reserves the right to reject any bid that does not comply with the requirements prescribed herein or to waive any such requirements. For purposes of completing the TEC Form 1295, the entity's name is "Fort Bend County Water Control and Improvement District No. 2" and the contract ID number is "FBWCID2 – S2024A – B". Neither the District nor its consultants have the ability to verify the information included in a TEC Form 1295, and neither have an obligation nor undertake responsibility for advising any bidder with respect to the proper completion of the TEC Form 1295. Consequently, an entity intending to bid on the Bonds should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form promptly upon notification from the District that its bid is the apparent winning bid.

**Compliance with laws prohibiting contracts with certain companies . . .** The District will not award the Bonds to a bidder unless the bidder verifies on behalf of itself and each syndicate member listed on the Official Bid Form that, solely for purposes of Chapter 2271 of the Texas Government Code, at the time of execution and delivery of its bid and through the delivery date of the Bonds, neither the bidder nor a syndicate member listed on the Official Bid Form is a Company<sup>1</sup> that boycotts or will boycott Israel. The terms "boycotts Israel" and "boycott Israel" as used in this paragraph have the meaning assigned to the term "boycott Israel" in Section 808.001 of the Texas Government Code, as amended.

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<sup>1</sup> "Company" means a for-profit organization, association, corporation, partnership, joint venture, limited partnership, limited liability partnership, or limited liability company, including a wholly owned subsidiary, majority-owned subsidiary, parent company, or affiliate of those entities or business associations that exists to make a profit, but does not mean a sole proprietorship.

Additionally, the District will not award the Bonds to a bidder unless the bidder certifies that, solely for purposes of Chapter 2252 of the Texas Government Code, at the time of execution and delivery of its bid, neither the bidder nor a syndicate member listed on the Official Bid Form is a Company<sup>2</sup> (i) that engages in business with Iran, Sudan, or any foreign terrorist organization as described in Chapter 2270 of the Texas Government Code, or Subchapter F of Chapter 2252 of the Texas Government Code, or (ii) listed by the Texas Comptroller of Public Accounts under Section 2270.0201 or 2252.153 of the Texas Government Code. The term “foreign terrorist organization” as used in this paragraph has the meaning assigned to such term in Section 2252.151 of the Texas Government Code.

Additionally, the District will not award the Bonds to a bidder unless the bidder verifies on behalf of itself and each syndicate member listed on the Official Bid Form that, solely for purposes of Chapter 2276 of the Texas Government Code, at the time of execution and delivery of its bid and through the delivery date of the Bonds, neither the bidder nor a syndicate member listed on the Official Bid Form is a Company<sup>1</sup> that boycotts or will boycott energy companies. The terms “boycotts energy companies” and “boycott energy companies” shall have the meaning assigned to the term “boycott energy company” in Section 809.001 of the Texas Government Code, as amended.

Additionally, the District will not award the Bonds to a bidder unless the bidder verifies on behalf of itself and each syndicate member listed on the Official Bid Form that, solely for purposes of Chapter 2274 of the Texas Government Code, at the time of execution and delivery of its bid and through the delivery date of the Bonds, neither the bidder nor a syndicate member listed on the Official Bid Form is a Company<sup>1</sup> that has a practice, policy, guidance or directive that discriminates against a firearm entity or firearm trade association or will discriminate against a firearm entity or firearm trade association. The term “discriminates against a firearm entity or firearm trade association” as used in this paragraph has the meaning assigned to the term “discriminate against a firearm entity or firearm trade association” in Section 2274.001(3) of the Texas Government Code.

Notwithstanding anything contained herein, any prospective bidder agrees that liability for breach of verification of the statutory representations and covenants provided above as required by Chapters 2252, 2271, 2274 and 2276 of the Texas Government Code during the term of the contract shall survive until barred by the applicable statute of limitations and shall not be liquidated or otherwise limited by any provision of the contract.

By submitting a bid, a bidder makes and certifies to the representations necessary and convenient for the compliance with the aforementioned laws and, at the request of the District, agrees to execute further written certifications as may be necessary or convenient for the District to establish compliance with the aforementioned laws.

**Contracting Information.** . . The District will not award the Bonds to a bidder unless the bidder verifies on behalf of itself and each syndicate member listed on the Official Bid Form that, the bidder and each syndicate member listed on the Official Bid Form will (i) preserve all contracting information related to the bid as provided by the records retention requirements applicable to the District through the delivery date of the Bonds, (ii) promptly provide to the District any contracting information related to the bid that is in the custody or possession of the bidder or any syndicate member on request of the District, and (iii) upon delivery of the Bonds to the bidder, either (a) provide at no cost to the District all contracting information related to the bid that is in the custody or possession of the bidder or any syndicate member or (b) preserve the contracting information related to the bid as provided by the records retention requirements applicable to the District. The term “contracting information” as used in this paragraph has the meaning assigned to such term in Section 552.003 of the Texas Government Code.

**Good Faith Deposit . . .** Each bid must be accompanied by a bank cashier’s check payable to the order of “Fort Bend County Water Control and Improvement District No. 2” in the amount of \$830,000, which represents two percent (2%) of the principal amount of the Bonds. The check will be considered as a Good Faith Deposit, and the check of the successful bidder (the “Initial Purchaser”) will be retained uncashed by the District until the Bonds are delivered. In the event the Initial Purchaser should fail or refuse to accept delivery of and pay for the Bonds in accordance with its bid, then the Good Faith Deposit shall be cashed and the proceeds accepted by the District as full and complete liquidated damages against the Initial Purchaser. The Good Faith Deposit may accompany the Official Bid Form or it may be submitted separately. If submitted separately, it shall be made available to the District prior to the opening of the bids and shall be accompanied by instructions from the bank on which it is drawn to authorize its use as a Good Faith Deposit by the bidder, who shall be named in such instructions. The Good Faith Deposit will be returned immediately after full payment has been made by the Initial Purchaser to the District in federal or immediately available funds in the amount of the purchase price plus accrued interest thereon. No interest will be paid on the Good Faith Deposit. The checks accompanying bids other than the winning bid will be returned immediately after the bids

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<sup>2</sup> "Company" means a sole proprietorship, organization, association, corporation, partnership, joint venture, limited partnership, limited liability partnership, limited liability company, or other entity or business association whose securities are publicly traded, including a wholly owned subsidiary, majority-owned subsidiary, parent company, or affiliate of those entities or business associations, that exists to make a profit.

are opened and an award of the Bonds has been made.

**Rule G-32 Requirements . . .** It is the responsibility of the Initial Purchaser to comply with the Municipal Securities Rule Making Board’s Rule G-32 within the required time frame.

**Standing Letter Requirement . . .** Each prospective bidder must have a standing letter on file with the Municipal Advisory Council of Texas and the Texas Attorney General’s Office as required by, and compliant in all respects with, the All Bond Counsel Letter of the Texas Attorney General dated November 1, 2023, (as supplemented on November 16, 2023, and on December 29, 2023) (collectively, the “All Bond Counsel Letter”). In submitting a bid, a bidder represents to the District that it has filed a standing letter that conforms to the requirements set forth in the All Bond Counsel Letter and it has no reason to believe that the District may not be entitled to rely on the standing letter on file with the Municipal Advisory Council of Texas and the Texas Attorney General’s Office. Bidder agrees that it will not rescind its standing letter at any time before the delivery of the Bonds unless same is immediately replaced with a standing letter meeting the requirements of the All Bond Counsel Letter.

**Competitive Bidding and Certificate of Initial Purchaser . . .** In the event that the District does not receive sufficient qualified bids to satisfy the competitive sale requirements of Treasury Regulation § 1.148-1(f)(3)(i), allowing the District to treat the reasonably expected initial offering price to the public as of the sale date as the issue price of the Bonds, the “hold-the-offering-price rule” shall apply, which will allow the District to treat the initial offering price to the public of each maturity as of the sale date as the issue price of that maturity (the “hold-the-offering-price rule”). So long as the hold-the-offering-price rule applies to any maturity of the Bonds, the Initial Purchaser will neither offer nor sell that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following: (i) the date on which the Initial Purchaser has sold at least 10 percent (10%) of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public or (ii) the close of the fifth business day after the sale date. The Initial Purchaser agrees to promptly report to the District’s financial advisor when it has sold 10 percent (10%) of a maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public if that occurs prior to the close of the fifth business day after the sale date. Alternative Certificates of Initial Purchaser are attached for use (I) when the competitive sale requirements of Treasury Regulation § 1.148-1(f)(3)(i) are met and (II) when such requirements are not met.

#### **OFFICIAL STATEMENT**

By accepting the winning bid, the District agrees to the following representations and covenants to assist the Initial Purchaser in complying with Rule 15c2-12 of the Securities and Exchange Commission (“SEC”).

**Final Official Statement . . .** The District has prepared the accompanying Preliminary Official Statement for dissemination to potential purchasers of the Bonds, but will not prepare any other document or version for such purpose, except as described below. The District will be responsible for completing the Official Statement by inserting the interest rates bid, the purchase price bid, any ratings assigned to the Bonds (if not currently included), and the initial public offering yields as set forth in the Official Bid Form, or otherwise supplied by the Initial Purchaser, and for preparing and inserting the final debt service schedule. The District does not intend to amend or supplement the Official Statement otherwise, except to take into account certain subsequent events, if any, as described below. Accordingly, the District deems the accompanying Preliminary Official Statement to be final as of its date, within the meaning of SEC Rule 15c2-12(b)(1), except for the omission of the foregoing items. Notwithstanding the foregoing, the only representations concerning the absence of material misstatements or omissions from the Official Statement which are or will be made by the District are those described in the Official Statement under “OFFICIAL STATEMENT – Certification as to Official Statement.”

**Changes to Official Statement . . .** If, subsequent to the date of the Official Statement, the District learns or is notified by the Initial Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the District will promptly prepare and supply to the Initial Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Initial Purchaser, unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds as described below. See “DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS – Conditions to Delivery.” The obligation of the District to do so will terminate when the District delivers the Bonds to the Initial Purchaser, unless the Initial Purchaser notifies the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation will extend for an additional period of time (but not for more than 90 days after the sale date) until all of the Bonds have been sold to ultimate customers.

**Delivery of Official Statements . . .** The District will furnish to the Initial Purchaser (and to each other participating Initial Purchaser of the Bonds, within the meaning of SEC Rule 15c2-12(a), designated by the Initial Purchaser), within seven business days after the sale date, the aggregate number of Official Statements specified in the winning bid. The District will also furnish to the Initial Purchaser a like number of any supplement or amendment prepared by the District for dissemination to potential purchasers of the Bonds as described above as well as such additional copies of the Official Statement or any supplement or amendment as the Initial Purchaser may request prior to the 90th day after the end of the underwriting period referred to in SEC Rule 15c2-12(e)(2). The District will pay the expense of

preparing up to 250 copies of the Official Statement and all copies of any supplement or amendment issued on or before the delivery date, but the Initial Purchaser must pay for all other copies of the Official Statement or any supplement or amendment thereto.

**Continuing Disclosure . . .** The District will agree in the Bond Resolution to provide certain periodic information and notices of specified events in accordance with Rule 15c2-12, as described in the Preliminary Official Statement under “CONTINUING DISCLOSURE OF INFORMATION.” The Initial Purchaser’s obligation to accept and pay for the Bonds is conditioned upon delivery to the Initial Purchaser of the certified copy of the Bond Resolution containing the agreement described under such heading.

**Substantive Requirements for Official Statement . . .** During the last five years, the District has complied in all material respects with its previous continuing disclosure agreements made in accordance with SEC Rule 15c2-12.

## **DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS**

**Initial Delivery of Initial Bond . . .** Initial delivery (“Initial Delivery”) will be accomplished by the issuance of one initial bond reflecting each maturity (the “Initial Bond”), either in typed or printed form, in the aggregate principal amount of \$41,500,000, registered in the name of the Initial Purchaser, manually signed by the President and Secretary of the Board, or executed by the facsimile signatures of the President or Vice President and Secretary or another officer of the Board, and approved by the Attorney General of Texas, and registered and manually signed by the Comptroller of Public Accounts of Texas or his authorized deputy. Initial Delivery will be at the offices of the Registrar in Houston, Texas. Payment for the Bonds must be made in immediately available funds for unconditional credit to the District, or as otherwise directed by the District. The Initial Purchaser will be given five (5) business days’ notice of the time fixed for delivery of the Bonds. It is anticipated that Initial Delivery can be made on or about November 7, 2024, and subject to the aforementioned notice it is understood and agreed that the Initial Purchaser will accept delivery of and make payment for the Bonds by 10:00 A.M., Central Time, on November 7, 2024, or thereafter on the date the Bonds are tendered for delivery, up to and including December 6, 2024. If for any reason the District is unable to make delivery on or before December 6, 2024, then the District shall immediately contact the Initial Purchaser and offer to allow the Initial Purchaser to extend its offer for an additional thirty (30) days. If the Initial Purchaser does not elect to extend its offer within five (5) business days thereafter, then its Good Faith Deposit will be returned, and both the District and the Initial Purchaser shall be relieved of any further obligation.

**Delivery of Exchange Bonds . . .** Upon presentation of the Initial Bond and upon payment for the Initial Bond at the time of the Initial Delivery, the Paying Agent/Registrar shall cancel the Initial Bond and deliver the exchange Bonds in denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity registered in the name of Cede & Co. through the Book-Entry-Only System of the DTC. It is understood that all costs and expenses for the shipping, packing, insuring and delivery of the exchange Bonds shall be borne by the Initial Purchaser if the Initial Purchaser requests delivery of the exchange Bonds at any location other than the corporate trust office of the Paying Agent/Registrar.

**CUSIP Numbers . . .** It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Initial Purchaser to accept delivery of and pay for the Bonds in accordance with the terms of this OFFICIAL NOTICE OF SALE. CUSIP identification numbers will be made available to the Initial Purchaser at the time the Bonds are awarded or as soon thereafter as practicable. The CUSIP Service Bureau charge for the assignment of the numbers shall be the responsibility of and shall be paid by the Initial Purchaser.

**Conditions to Delivery . . .** The Initial Purchaser’s obligation to accept delivery of and pay for the Bonds is subject to the issuance of the legal opinion of the Attorney General of Texas as to the legality of the Bonds, and the legal opinion of Allen Boone Humphries Robinson LLP (“Bond Counsel”), the No-Litigation Certificate, and the nonoccurrence of the events indicated under “No Material Adverse Change” all as described below.

**Legal Opinions . . .** The District will furnish without cost to the Initial Purchaser a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the unqualified approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State, to the effect that the Bonds are valid and binding obligations of the District, payable from the proceeds of an ad valorem tax levied without limitation as to rate or amount upon all taxable property in the District, and, based upon an examination of such transcript, the approving legal opinion of Bond Counsel to a like effect and to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, and interest on the Bonds is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations for the purpose of determining the alternative minimum tax imposed on corporations.

**Certification Regarding Offering Price of Bonds . . .** In order to provide the District with information to enable it to comply with certain conditions of the Internal Revenue Code of 1986 as amended (the “Code”) relating to the exclusion of interest on the Bonds from gross income for federal income tax purposes, the Initial Purchaser will be

required to complete, execute and deliver to the District (on or before the Date of Delivery of the Bonds) a certification regarding "issue price" in the form accompanying this Official Notice of Sale. Each bidder, by submitting its bid, agrees to complete, execute and deliver such a certificate by the Date of Delivery of the Bonds if its bid is accepted by the District. It will be the responsibility of the Initial Purchaser to institute such syndicate reporting requirements, to make such investigation, or otherwise to ascertain the facts necessary to enable it to make such certification with reasonable certainty. Any question concerning such certification should be directed to Bond Counsel.

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

**No Material Adverse Change . . .** The obligation of the District to deliver the Bonds and of the Initial Purchaser to accept delivery of and pay for the Bonds are subject to the condition that as of the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the conditions of the District from those set forth in or contemplated by the PRELIMINARY OFFICIAL STATEMENT, as it may have been supplemented or amended through the date of sale.

### GENERAL CONSIDERATIONS

**Book-Entry-Only System . . .** The District intends to utilize the Book-Entry-Only System of the DTC. See "THE BONDS – Book-Entry-Only System" in the Preliminary Official Statement.

**Future Registration . . .** In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred, registered and exchanged only on the registration books of the Paying Agent/Registrar, and such registration shall be at the expense of the District, although the District or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of any Bond. A Bond may be transferred or exchanged upon surrender to the Paying Agent/Registrar accompanied by a written instrument of transfer acceptable to the Paying Agent/Registrar duly executed by the registered owner thereof or his attorney duly authorized in writing. Upon surrender for transfer of any Bond to the Paying Agent/Registrar, the Paying Agent/Registrar shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Bonds of the same stated maturity and of any authorized denomination and of a like aggregate principal amount.

**Investment Considerations . . .** The Bonds involve certain investment considerations. Prospective bidders are urged to examine carefully the entire Preliminary Official Statement, made a part hereof, with respect to the investment security of the Bonds. Particular attention should be given to the information set forth therein under the caption "INVESTMENT CONSIDERATIONS."

**No Registration or Qualification under Securities Laws . . .** The offer and sale of the Bonds have not been registered with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas, as amended, 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 sold, assigned, pledged, hypothecated, 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 those jurisdictions where persons registered or licensed as dealers or brokers may offer and sell the Bonds, it is assumed that such persons have complied and will comply with all applicable statutes and regulations concerning dealers and brokers and concerning the registration or licensing of agents or salesmen. By the submission of its bid, the Initial Purchaser represents that the offer and sale of the Bonds in states other than Texas will be made only pursuant to exemptions from registration or qualification, or where necessary, the Initial Purchaser will register or qualify the Bonds in accordance with the securities laws of the states in which the Bonds are offered or sold. The District agrees to cooperate, at the Initial Purchaser's written request and expense, in registering or qualifying the Bonds or in obtaining an exemption from registration or qualification in any state where such action is necessary, provided that the District shall not be required to file a general consent to service of process in any jurisdiction.

**NOT Qualified Tax-Exempt Obligations . . .** The District will NOT designate the Bonds as "qualified tax-exempt obligations" for financial institutions.



**Reservation of Rights . . .** The District reserves the right to reject any and all bids and to waive any and all irregularities except time of filing.

**Not an Offer to Sell . . .** This Official Notice of Sale does not alone constitute an offer to sell the Bonds but is merely notice of sale of the Bonds. The invitation for bids on the Bonds is being made by means of this Official Notice of Sale, the Preliminary Official Statement and the Official Bid Form.

**Municipal Bond Ratings and Insurance . . .** The District has made application to S&P Global Ratings (“S&P”) and Moody’s Investors Service (“Moody’s”) for underlying ratings on the outstanding debt of the District and S&P and Moody’s have assigned ratings of “AA” and “Aa2”, respectively. An explanation of the significance of such ratings may be obtained from S&P and Moody’s. These ratings reflect only the views of S&P and Moody’s, and the District makes no representation as to the appropriateness of such ratings. Further, there is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely, if circumstances so warrant. Any such downward revisions or withdrawal of the ratings may have an adverse effect on the trading value and the market price of the Bonds.

Applications have been made for a commitment to issue a policy of municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by any rating companies, will be at the option and expense of the Initial Purchaser. The Initial Purchaser understands, by submission of its bid, that the Initial Purchaser is solely responsible for the selection of any insurer and for all negotiations with (i) the insurer as to the premium to be paid, and (ii) the insurer and any and all rating companies as to selection of such rating companies, the ratings to be assigned to the Bonds as a consequence of the issuance of the municipal bond guaranty insurance policy, and the payment of fees in connection with such ratings as is described above.

**Severability . . .** In case any provision herein, or application thereof, shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions or applications shall not in any way be affected or impaired thereby.

**Additional Copies . . .** Additional copies of the Official Notice of Sale, the Official Bid Form and the Preliminary Official Statement may be obtained from RBC Capital Markets, LLC, 609 Main St., Suite 3600, Houston, Texas 77002.

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**OFFICIAL BID FORM**

President and Board of Directors  
 Fort Bend County Water Control  
 and Improvement District No. 2  
 2331 South Main Street  
 Stafford, Texas 77477

Members of the Board:

We have read in detail the Official Notice of Sale and Preliminary Official Statement of Fort Bend County Water Control and Improvement District No. 2 (the "District") relating to its \$41,500,000 Unlimited Tax Bonds, Series 2024A (the "Bonds"), which by reference are made a part hereof. We recognize the special investment risks involved in these securities, and have made such inspections and investigations as we deem necessary in order to evaluate the investment quality of the Bonds. Accordingly, we offer to purchase the District's legally issued Bonds, upon the terms and conditions set forth in the Bond Resolution, the Official Notice of Sale and the Preliminary Official Statement, for a cash price of \$\_\_\_\_\_ (which represents \_\_\_\_\_% of the principal amount thereof) plus accrued interest to the Date of Delivery of the Bonds to us, provided such Bonds mature September 1 and bear interest in each year at the following rates:

Due (9/1)	Principal Amount	Interest Rate	Due (9/1)	Principal Amount	Interest Rate
2025	\$4,000,000	_____%	2038 <sup>(a)</sup>	\$385,000	_____%
2026	4,625,000	_____%	2039 <sup>(a)</sup>	1,025,000	_____%
2027	1,495,000	_____%	2040 <sup>(a)</sup>	400,000	_____%
2028	905,000	_____%	2041 <sup>(a)</sup>	400,000	_____%
2029	345,000	_____%	2042 <sup>(a)</sup>	410,000	_____%
2030	355,000	_____%	2043 <sup>(a)</sup>	420,000	_____%
2031 <sup>(a)</sup>	365,000	_____%	2044 <sup>(a)</sup>	425,000	_____%
2032 <sup>(a)</sup>	375,000	_____%	2045 <sup>(a)</sup>	430,000	_____%
2033 <sup>(a)</sup>	385,000	_____%	2046 <sup>(a)</sup>	425,000	_____%
2034 <sup>(a)</sup>	390,000	_____%	2047 <sup>(a)</sup>	6,800,000	_____%
2035 <sup>(a)</sup>	380,000	_____%	2048 <sup>(a)</sup>	7,105,000	_____%
2036 <sup>(a)</sup>	365,000	_____%	2049 <sup>(a)</sup>	8,920,000	_____%
2037 <sup>(a)</sup>	370,000	_____%			

(a) The Bonds maturing on or after September 1, 2031, are subject to optional redemption in whole or from time to time in part on September 1, 2030 or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption.

Our calculation (which is not a part of this bid) of the interest cost from the above bid is:

Total Interest Cost from November 7, 2024.....	\$ _____
Plus: Cash Discount.....	\$ _____
Net Interest Cost.....	\$ _____
Net Effective Interest Rate.....	_____ %

Of such principal maturities set forth above, we have created term bonds as indicated in the following table (which may include multiple term bonds, one term bond, or no term bonds if none is indicated.) For those years which have been combined into a term bond, the principal amount shown in the table above shall be the mandatory sinking fund redemption amounts in such years. The term bonds created are as follows:

Term Bonds Maturity (Sept. 1)	First Year of Mandatory Redemption	Principal Amount of Term Bonds	Interest Rate
_____	_____	_____	_____%
_____	_____	_____	_____%
_____	_____	_____	_____%
_____	_____	_____	_____%
_____	_____	_____	_____%
_____	_____	_____	_____%

The Initial Bonds shall be initially registered in the name of Cede & Co. and definitive Bonds will be delivered through the Book-Entry-Only System of The Depository Trust Company.

Cashier's Check No. \_\_\_\_\_, issued by \_\_\_\_\_ Bank, \_\_\_\_\_, Texas and payable to your order in the amount of \$830,000 (is attached hereto) (has been made available to you prior to the opening of this bid) as the Good Faith Deposit for disposition in accordance with the terms and conditions set forth in the Official Notice of Sale. Should we fail or refuse to make payment for the Bonds in accordance with the terms and conditions of such Official Notice of Sale, such check shall be cashed and the proceeds retained as complete liquidated damages against us in accordance with the Official Notice of Sale. We hereby represent that sale of the Bonds in states other than Texas will be made only pursuant to exemptions from registration or qualification and that, where necessary, we will register or qualify the Bonds in accordance with the securities laws of the states in which the Bonds are offered or sold.

Unless the bidder is exempt from such requirements pursuant to Texas Government Code §2252.908(c)(4), the District may not accept this bid until it has received from the bidder a completed and signed TEC Form 1295 complete with a certificate number assigned by the Texas Ethics Commission ("TEC"), pursuant to Texas Government Code §2252.908 and the rules promulgated thereunder by the TEC. The undersigned understands that failure to provide said form complete with a certificate number assigned by the TEC as provided for in the Official Notice of Sale (unless exempt from such requirements) will result in a non-conforming bid and will prohibit the District from considering this bid for acceptance.

By executing this Official Bid Form, the bidder represents and verifies that, solely for purposes of Chapter 2271 of the Texas Government Code, at the time of execution and delivery of its bid and through the delivery date of the Bonds, neither the bidder nor a syndicate member listed on this Official Bid Form is a Company<sup>1</sup> that boycotts or will boycott Israel. The terms "boycotts Israel" and "boycott Israel" as used in this paragraph have the meaning assigned to the term "boycott Israel" in Section 808.001 of the Texas Government Code, as amended.

Additionally, by executing this Official Bid Form, the bidder also represents and certifies that, solely for purposes of Chapter 2252 of the Texas Government Code, at the time of execution and delivery of its bid, neither the bidder nor a syndicate member listed on this Official Bid Form is a Company<sup>2</sup> (i) that engages in business with Iran, Sudan, or any foreign terrorist organization as described in Chapter 2270 of the Texas Government Code, or Subchapter F of Chapter 2252 of the Texas Government Code, or (ii) listed by the Texas Comptroller of Public Accounts under Section 2270.0201 or 2252.153 of the Texas Government Code. The term "foreign terrorist organization" as used in this paragraph has the meaning assigned to such term in Section 2252.151 of the Texas Government Code. The undersigned agrees to execute, at the request of the District, further written certifications as may be necessary or convenient for the District to establish compliance with these laws.

Additionally, by executing this Official Bid Form, the bidder also represents and verifies that, on behalf of itself and each syndicate member listed on this Official Bid Form that, solely for purposes of Chapter 2276 of the Texas Government Code, at the time of execution and delivery of its bid and through the delivery date of the Bonds, neither the bidder nor a syndicate member listed on this Official Bid Form is a Company<sup>1</sup> that boycotts or will boycott energy companies. The terms "boycotts energy companies" and "boycott energy companies" as used in this paragraph have the meaning assigned to the term "boycott energy company" in Section 809.001 of the Texas Government Code, as amended.

Additionally, by executing this Official Bid Form, the bidder also represents and verifies that, solely for purposes of Chapter 2274 of the Texas Government Code, at the time of execution and delivery of its bid and through the delivery date of the Bonds, neither the bidder nor a syndicate member listed on this Official Bid Form is a Company<sup>1</sup> that has a practice, policy, guidance or directive that discriminates against a firearm entity or firearm trade association or will discriminate against a firearm entity or firearm trade association. The term "discriminates against a firearm entity or firearm trade association" as used in this paragraph has the meaning assigned to the term "discriminate against a firearm entity or firearm trade association" in Section 2274.001(3) of the Texas Government Code.

By submitting a bid, the bidder makes and certifies to the representations necessary and convenient for the compliance with the aforementioned laws and, at the request of the District, agrees to execute further written certifications as may be necessary or convenient for the District to establish compliance with the aforementioned laws.

Notwithstanding anything contained herein, the bidder agrees that liability for breach of verification of the statutory representations and covenants provided above as required by Chapters 2252, 2271, 2274 and 2276 of the Texas Government Code during the term of the contract shall survive until barred by the applicable statute of limitations and shall not be liquidated or otherwise limited by any provision of the contract.

Additionally, by executing this Official Bid Form, the bidder also represents and certifies that the bidder and each syndicate member listed on this Official Bid Form will (i) preserve all contracting information related to the bid as

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<sup>1</sup> "Company" means a for-profit organization, association, corporation, partnership, joint venture, limited partnership, limited liability partnership, or limited liability company, including a wholly owned subsidiary, majority-owned subsidiary, parent company, or affiliate of those entities or business associations that exists to make a profit, but does not mean a sole proprietorship.

<sup>2</sup> "Company" means a sole proprietorship, organization, association, corporation, partnership, joint venture, limited partnership, limited liability partnership, limited liability company, or other entity or business association whose securities are publicly traded, including a wholly owned subsidiary, majority-owned subsidiary, parent company, or affiliate of those entities or business associations, that exists to make a profit.

provided by the records retention requirements applicable to the District through the delivery date of the Bonds, (ii) promptly provide to the District any contracting information related to the bid that is in the custody or possession of the bidder or any syndicate member on request of the District, and (iii) upon delivery of the Bonds to the bidder, either (a) provide at no cost to the District all contracting information related to the bid that is in the custody or possession of the bidder or any syndicate member or (b) preserve the contracting information related to the bid as provided by the records retention requirements applicable to the District. The term “contracting information” as used in this paragraph has the meaning assigned to such term in Section 552.003 of the Texas Government Code.

The undersigned agrees to complete, execute, and deliver to the District, by the Date of Delivery of the Bonds, a certificate relating to the “issue price” of the Bonds in the form attached to or accompanying the Official Notice of Sale.

We agree to make payment for the Initial Bonds in immediately available funds at the offices of The Bank of New York Mellon Trust Company, N.A., Houston, Texas, not later than 10:00 A.M. Central Time, on November 7, 2024, or thereafter on the date the Bonds are tendered for delivery pursuant to the terms set forth in the Official Notice of Sale.

Respectfully submitted,  
(Syndicate members, if any)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Authorized Representative

\_\_\_\_\_  
\_\_\_\_\_  
By: \_\_\_\_\_

**ACCEPTANCE CLAUSE**

The above and foregoing bid is hereby accepted by Fort Bend County Water Control and Improvement District No. 2 this 9<sup>th</sup> day of October, 2024.

ATTEST:

\_\_\_\_\_  
Secretary, Board of Directors

\_\_\_\_\_  
President, Board of Directors

**CERTIFICATE OF INITIAL PURCHASER – FEDERAL INCOME TAX COMPETITIVE BIDDING  
REQUIREMENTS MET**

The undersigned hereby certifies as follows with respect to the sale of \$41,500,000 Fort Bend County Water Control and Improvement District No. 2, Unlimited Tax Bonds, Series 2024A (the “Bonds”):

1. The undersigned is the Initial Purchaser or the manager of the syndicate of Initial Purchasers (the “Initial Purchaser”) that has purchased the Bonds from Fort Bend County Water Control and Improvement District No. 2 (the “District”) at competitive sale.
2. The Initial Purchaser was not given the opportunity to review other bids prior to submitting its bid, and the bid submitted by the Initial Purchaser constituted a firm bid to purchase the Bonds.
3. As of the Sale Date (as herein defined), the reasonably expected initial offering prices of the Bonds to the public by the Initial Purchaser (expressed as a percentage of principal amount and exclusive of accrued interest) is as set forth below:

Due (9/1)	Principal Amount	Interest Rate	Due (9/1)	Principal Amount	Interest Rate
2025	\$4,000,000	_____ %	2038 <sup>(a)</sup>	\$385,000	_____ %
2026	4,625,000	_____ %	2039 <sup>(a)</sup>	1,025,000	_____ %
2027	1,495,000	_____ %	2040 <sup>(a)</sup>	400,000	_____ %
2028	905,000	_____ %	2041 <sup>(a)</sup>	400,000	_____ %
2029	345,000	_____ %	2042 <sup>(a)</sup>	410,000	_____ %
2030	355,000	_____ %	2043 <sup>(a)</sup>	420,000	_____ %
2031 <sup>(a)</sup>	365,000	_____ %	2044 <sup>(a)</sup>	425,000	_____ %
2032 <sup>(a)</sup>	375,000	_____ %	2045 <sup>(a)</sup>	430,000	_____ %
2033 <sup>(a)</sup>	385,000	_____ %	2046 <sup>(a)</sup>	425,000	_____ %
2034 <sup>(a)</sup>	390,000	_____ %	2047 <sup>(a)</sup>	6,800,000	_____ %
2035 <sup>(a)</sup>	380,000	_____ %	2048 <sup>(a)</sup>	7,105,000	_____ %
2036 <sup>(a)</sup>	365,000	_____ %	2049 <sup>(a)</sup>	8,920,000	_____ %
2037 <sup>(a)</sup>	370,000	_____ %			

(a) The Bonds maturing on or after September 1, 2031, are subject to optional redemption in whole or from time to time in part on September 1, 2030 or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption.

4. The Initial Purchaser [has] [has not] purchased bond insurance for the Bonds. The bond insurance has been purchased from \_\_\_\_\_ (the “Insurer”) for a fee of \$ \_\_\_\_\_ (net of any nonguarantee cost, e.g., rating agency fees). The amount of such fee is set forth in the Insurer's commitment and does not include any payment for any direct or indirect services other than the transfer of credit risk, unless the compensation for those other services is separately stated, reasonable, and excluded from such fee. Such fee does not exceed a reasonable, arms-length charge for the transfer of credit risk. The present value of the debt service savings expected to be realized as a result of such insurance exceeds the amount of the fee set forth above. For this purpose, present value is computed using the yield on the Bonds, determined by taking into account the amount of the fee set forth above, as the discount rate. No portion of the fee payable to the Insurer is refundable upon redemption of any of the Bonds in an amount which would exceed the portion of such fee that had not been earned.

5. The term “public” means any person (including an individual, trust, estate, partnership, association, company or corporation) other than an Initial Purchaser or a related party to an Initial Purchaser. A related party generally means two or more persons with greater than 50 percent common ownership, directly or indirectly.

6. “Sale Date” means the first date on which there is a binding contract in writing for the sale of the Bonds. The Sale Date of the Bonds is October 9, 2024.

The undersigned understands that the statements made herein will be relied upon by the District and Allen Boone Humphries Robinson LLP in complying with the conditions imposed by the Internal Revenue Code of 1986, as amended, on the exclusion of interest on the Bonds from the gross income of their owners for federal income tax purposes.

EXECUTED and DELIVERED this \_\_\_\_ day of \_\_\_\_, 2024.

\_\_\_\_\_  
(Name of Initial Purchaser or Manager)

By: \_\_\_\_\_

Title: \_\_\_\_\_

**CERTIFICATE OF INITIAL PURCHASER – FEDERAL INCOME TAX COMPETITIVE BIDDING  
REQUIREMENTS NOT MET**

The undersigned hereby certifies as follows with respect to the sale of \$41,500,000 Fort Bend County Water Control and Improvement District No. 2, Unlimited Tax Bonds, Series 2024A (the “Bonds”):

1. The undersigned is the Initial Purchaser or the manager of the syndicate of Initial Purchasers (the “Initial Purchaser”) that has purchased the Bonds from Fort Bend County Water Control and Improvement District No. 2 (the “District”).

2. As of the date of this Certificate, for each of the following maturities (the “Sold Maturities”), the first price at which a substantial amount (at least ten percent) of such maturity was sold to the public (expressed as a percentage of principal amount and exclusive of accrued interest) is set forth below:

<u>Due</u> <u>(9/1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Due</u> <u>(9/1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2025	\$4,000,000	_____ %	2038 <sup>(a)</sup>	\$385,000	_____ %
2026	4,625,000	_____ %	2039 <sup>(a)</sup>	1,025,000	_____ %
2027	1,495,000	_____ %	2040 <sup>(a)</sup>	400,000	_____ %
2028	905,000	_____ %	2041 <sup>(a)</sup>	400,000	_____ %
2029	345,000	_____ %	2042 <sup>(a)</sup>	410,000	_____ %
2030	355,000	_____ %	2043 <sup>(a)</sup>	420,000	_____ %
2031 <sup>(a)</sup>	365,000	_____ %	2044 <sup>(a)</sup>	425,000	_____ %
2032 <sup>(a)</sup>	375,000	_____ %	2045 <sup>(a)</sup>	430,000	_____ %
2033 <sup>(a)</sup>	385,000	_____ %	2046 <sup>(a)</sup>	425,000	_____ %
2034 <sup>(a)</sup>	390,000	_____ %	2047 <sup>(a)</sup>	6,800,000	_____ %
2035 <sup>(a)</sup>	380,000	_____ %	2048 <sup>(a)</sup>	7,105,000	_____ %
2036 <sup>(a)</sup>	365,000	_____ %	2049 <sup>(a)</sup>	8,920,000	_____ %
2037 <sup>(a)</sup>	370,000	_____ %			

(a) The Bonds maturing on or after September 1, 2031, are subject to optional redemption in whole or from time to time in part on September 1, 2030 or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption.

3. As of the Sale Date (defined herein) for the Bonds, each of the following maturities (the “Unsold Maturities”) was offered to the public for purchase at the price (expressed as a percentage of principal amount and exclusive of accrued interest) set forth below:

<u>Principal</u> <u>Amount</u>	<u>Year of</u> <u>Maturity</u>	<u>Issue</u> <u>Price</u>	<u>Principal</u> <u>Amount</u>	<u>Year of</u> <u>Maturity</u>	<u>Issue</u> <u>Price</u>
\$					

4. As set forth in the Notice of Sale, the Initial Purchaser has agreed in writing that, for each of the Unsold Maturities, the Initial Purchaser would neither offer nor sell any of the Bonds of such maturity to any person at a price that is higher than the initial offering price for each maturity, as set forth in the pricing wire or equivalent communication for the Bonds attached to this Certificate, during the Offering Period for such maturity, nor would the Initial Purchaser permit a related party to do so. Pursuant to such agreement, the Initial Purchaser has neither offered nor sold any of the Unsold Maturities at a price higher than the respective initial offering price for that maturity of the Bonds during the Offering Period.

5. The Initial Purchaser [has] [has not] purchased bond insurance for the Bonds. The bond insurance has been purchased from \_\_\_\_\_ (the “Insurer”) for a fee of \$ \_\_\_\_\_ (net of any nonguarantee cost, e.g., rating agency fees). The amount of such fee is set forth in the Insurer's commitment and does not include any payment for any direct or indirect services other than the transfer of credit risk, unless the compensation for those other services is separately stated, reasonable, and excluded from such fee. Such fee does not exceed a reasonable, arms-length charge for the transfer of credit risk. The present value of the debt service savings expected to be realized as a result of such insurance exceeds the amount of the fee set forth above. For this purpose, present value is computed using the yield on the Bonds, determined by taking into account the amount of the fee set forth above, as the discount rate. No portion of the fee payable to the Insurer is refundable upon redemption of any of the Bonds in an amount which would exceed the portion of such fee that had not been earned.

6. The term “public” means any person (including an individual, trust, estate, partnership, association, company or corporation) other than an Initial Purchaser or a related party to an Initial Purchaser. A related party generally means two or more persons with greater than 50 percent common ownership, directly or indirectly.

7. “Sale Date” means the first date on which there is a binding contract in writing for the sale of the Bonds. The Sale Date of the Bonds is October 9, 2024.

8. Offering Period means, with respect to an Unsold Maturity, the period beginning on the Sale Date and ending on the earlier of (a) the close of the fifth business day after the Sale Date or (b) the date on which the Initial Purchaser has sold at least 10 percent of such Unsold Maturity to the public at a price that is no higher than the initial offering price for such Unsold Maturity.

The undersigned understands that the statements made herein will be relied upon by the District and Allen Boone Humphries Robinson LLP in complying with the conditions imposed by the Internal Revenue Code of 1986, as amended, on the exclusion of interest on the Bonds from the gross income of their owners for federal income tax purposes.

EXECUTED and DELIVERED this \_\_\_\_ day of \_\_\_\_, 2024.

\_\_\_\_\_  
(Name of Initial Purchaser or Manager)

By: \_\_\_\_\_

Title: \_\_\_\_\_



**PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 28, 2024**

IN THE OPINION OF BOND COUNSEL UNDER EXISTING LAW, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES, AND INTEREST ON THE BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS HOWEVER, SUCH INTEREST IS TAKEN INTO ACCOUNT IN DETERMINING THE ANNUAL ADJUSTED FINANCIAL STATEMENT INCOME OF APPLICABLE CORPORATIONS FOR PURPOSES OF DETERMINING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS. SEE "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The Bonds will NOT be "qualified tax-exempt obligations for financial institutions." See "TAX MATTERS – Not Qualified Tax-Exempt Obligations."

NEW ISSUE – Book-Entry-Only

Underlying Ratings: S&P: "AA"  
Moody's: Aa2"

See "MUNICIPAL BOND RATINGS AND INSURANCE" herein

**FORT BEND COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**

(A Political Subdivision of the State of Texas  
Located in Fort Bend and Harris Counties, Texas)

**\$41,500,000 UNLIMITED TAX BONDS, SERIES 2024A**

Dated Date: Date of Delivery (defined herein)

Due: September 1, as shown inside the cover page hereof

The \$41,500,000 Unlimited Tax Bonds, Series 2024A, (the "Bonds") will be issued in fully registered form only, in denominations of \$5,000 or any integral multiple of \$5,000. Principal of and interest on the Bonds will be payable by The Bank of New York Mellon Trust Company, N.A., Houston, Texas (the "Paying Agent" or "Registrar"). Interest accrues on the Bonds from November 7, 2024 (expected "Date of Delivery"), and is payable on March 1, 2025, and each September 1 and March 1 thereafter until maturity or redemption. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The Bonds will be initially 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, premium, if any, and interest on the Bonds will be paid by the Paying Agent directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. See "THE BONDS – Book-Entry-Only-System."

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

Due (September 1)	Principal Amount	Interest Rate (a)	Initial Reoffering Yield (b)	CUSIP Nos. (c)	Due (September 1)	Principal Amount	Interest Rate (a)	Initial Reoffering Yield (b)	CUSIP Nos. (c)
2025	\$4,000,000	____%	____%		2038 (d)	\$385,000	____%	____%	
2026	4,625,000	____%	____%		2039 (d)	1,025,000	____%	____%	
2027	1,495,000	____%	____%		2040 (d)	400,000	____%	____%	
2028	905,000	____%	____%		2041 (d)	400,000	____%	____%	
2029	345,000	____%	____%		2042 (d)	410,000	____%	____%	
2030	355,000	____%	____%		2043 (d)	420,000	____%	____%	
2031 (d)	365,000	____%	____%		2044 (d)	425,000	____%	____%	
2032 (d)	375,000	____%	____%		2045 (d)	430,000	____%	____%	
2033 (d)	385,000	____%	____%		2046 (d)	425,000	____%	____%	
2034 (d)	390,000	____%	____%		2047 (d)	6,800,000	____%	____%	
2035 (d)	380,000	____%	____%		2048 (d)	7,105,000	____%	____%	
2036 (d)	365,000	____%	____%		2049 (d)	8,920,000	____%	____%	
2037 (d)	370,000	____%	____%						

- (a) After requesting competitive bids for purchase of the Bonds, the District (hereinafter defined) has accepted the lowest net effective interest rate bid to purchase the Bonds, bearing interest as shown, at a price of \_\_\_\_% of par, resulting in a net effective interest rate to the District of \_\_\_\_%. Interest accrues from the Date of Delivery.
- (b) The initial reoffering yields on the Bonds are established by, and are the sole responsibility of the Initial Purchaser (hereinafter defined), and may subsequently be changed.
- (c) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association, Inc., and are solely for the convenience of the owners of the Bonds. Neither the District nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.
- (d) Bonds maturing on September 1, 2031, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, integral multiples of \$5,000, on September 1, 2030, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions." The yield on Bonds maturing on and after September 1, 2031, is calculated to the lower of yield to redemption or maturity. In addition, the Initial Purchaser may designate one or more of the Bonds as term bonds. See accompanying "Official Notice of Sale."

The Bonds, when issued, will constitute valid and legally binding obligations of Fort Bend County Water Control and Improvement District No. 2 (the "District") and will be payable from the proceeds of an annual ad valorem tax, which, under Texas law, is without legal limitation as to rate or amount, levied against all taxable property located within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Fort Bend County, Harris County, the City of Stafford, the City of Missouri City, the City of Sugar Land, the City of Houston, or any entity other than the District. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See "INVESTMENT CONSIDERATIONS".

The Bonds are offered when, as and if issued, subject to approval of legality by the Attorney General of the State of Texas and by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by Norton Rose Fulbright US LLP, as Disclosure Counsel. The Bonds are expected to be available for delivery on November 7, 2024, in Houston, Texas.

**SEALED BIDS TO BE SUBMITTED: 9:00 A.M., Central Time**  
**SEALED BIDS TO BE OPENED: 6:30 P.M., Central Time**  
**Wednesday, October 9, 2024**

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

## USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

Any information and expressions of opinion herein contained are subject to change 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.

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

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

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

Neither the District, the Initial Purchaser, nor the District’s financial advisor makes any representation or warranty with respect to the information contained in this Official Statement regarding DTC or its book-entry-only system.

The agreements of the District and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with the purchaser of the Bonds. **INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.**

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 any purpose.

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**OFFICIAL STATEMENT SUMMARY**

This Official Statement Summary is subject in all respects to the more complete information and to the definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary statement from this Official Statement or to otherwise use it without the entire Official Statement.

The District ..... Fort Bend County Water Control and Improvement District No. 2 (the “District”), created in 1946, is a political subdivision of the State of Texas (the “State”) located in Fort Bend and Harris Counties, approximately 15 miles southwest of the downtown business district of City of Houston, Texas. The District contains approximately 7,276.49 acres of land and includes substantially all of the area in the City of Stafford and a large portion of the area in the City of Missouri City, approximately 60 acres in the City of Sugar Land, and approximately 70 acres located in the City of Houston. The District also includes and serves certain unincorporated areas. The District provides water and wastewater services to the area within its boundaries. As of August 28, 2024, the District had 7,361 metered water and sewer connections. See “THE DISTRICT.”

The Bonds .....\$41,500,000 Unlimited Tax Bonds, Series 2024A (the “Bonds”), are issued pursuant to a resolution of the District’s Board of Directors authorizing the issuance of the Bonds (the “Bond Resolution”). The Bonds mature annually in varying amounts in the years 2025 through 2049, inclusive. Interest on the Bonds is payable on each March 1 and September 1 beginning March 1, 2025. Bonds maturing on or after September 1, 2031 are subject to redemption prior to their scheduled maturities on September 1, 2030, or on any date thereafter, in whole or from time to time in part, in the option of the District. The Bonds are offered in fully registered form in integral multiples of \$5,000 principal amount. See “THE BONDS.”

**NOT Qualified**

Tax-Exempt Obligations.....The Bonds will NOT be “Qualified Tax-Exempt Obligations” within the meaning of the Internal Revenue Code of 1986, as amended.

**Authorized but**

Unissued Bonds..... The District held an election on May 1, 2021, at which the issuance of an additional \$150,000,000 in principal amount of unlimited tax bonds for water and wastewater facilities and \$25,000,000 in principal amount of unlimited tax bonds for refunding purposes were approved by the voters of the District (the “2021 Election”). After the issuance of the Bonds, \$81,755,000 in principal amount will remain authorized but unissued from the 2021 Election for water and wastewater facilities.

Source of Payment.....Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax levied upon all taxable property within the District, which under Texas law is not limited as to rate or amount. The Bonds are obligations of the District, and are not obligations of the State of Texas, Harris County, Fort Bend County, the City of Stafford, the City of Missouri City, the City of Sugar Land, the City of Houston, or any entity other than the District. See “THE BONDS – Source of Payment.”

**Municipal Bond Ratings and**

Insurance..... S&P Global Ratings (“S&P”), a S&P Global Inc. business, and Moody’s Investors Services (“Moody’s”) are expected to assign their municipal bond ratings of “AA” and “Aa2”, respectively, to this issue of Bonds. An explanation of the significance of such ratings may be obtained from S&P and Moody’s. These ratings reflect only the views of S&P and Moody’s, and the District makes no representation as to the appropriateness of such ratings. Further, there is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely, if circumstances so warrant. Any such downward revisions or withdrawal of the ratings may have an adverse effect on the trading value and the market price of the Bonds.

Applications have been made for a commitment to issue a policy of municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by any rating companies, will be at the option and expense of the Initial Purchaser. The Initial Purchaser understands, by submission of its bid, that the Initial Purchaser is solely responsible for the selection of any insurer and for all negotiations with (i) the insurer as to the premium to be paid, and (ii) the insurer and any and all rating companies as to selection of such rating companies, the ratings to be assigned the Bonds as a consequence of the issuance of the municipal bond guaranty insurance policy, and the payment of fees in connection with such ratings as is described above. See “MUNICIPAL BOND RATINGS AND INSURANCE” and “MUNICIPAL BOND INSURANCE RISK FACTORS.”

- Authority for Issuance ..... The Bonds will be issued by the District pursuant to the terms and conditions of Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 51 of the Texas Water Code, as amended; the Bond Resolution; an election held in the District; and an Order of the Texas Commission on Environmental Quality (“TCEQ” or the “Commission”). See “THE BONDS – Authority for Issuance” and “– Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS – Future Debt.”
- Use of Proceeds..... The proceeds from this bond issue will be used to fund the following District projects: (1) a portion of the Surface Water Treatment Plant Expansion; (2) Surface Water Transmission Line Extensions; (3) Wastewater Treatment Plant No. 1 Rehabilitation; (4) Contingencies for Items 1-3; (5) Engineering for Items 1-3; and (6) costs associated with the issuance and sale of the Bonds. See “SOURCES AND USES OF FUNDS”.
- Book-Entry-Only..... The Bonds will be initially issuable in book-entry-only form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), which will act as securities depository. Beneficial owners of the Bonds will not receive physical delivery of bond certificates. See “THE BONDS – Book-Entry-Only-System.”
- Payment Record..... The District has never defaulted in the payment of principal of or interest on its bonds.
- Legal Opinion..... Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel.
- Engineers ..... Mr. Jason Kirby, P.E., District Engineer  
Quiddity Engineering, LLC Consulting Engineers, Houston, Texas.
- Disclosure Counsel ..... Norton Rose Fulbright US LLP, Houston, Texas.
- Financial Advisor ..... RBC Capital Markets, LLC, Houston, Texas.

INVESTMENT CONSIDERATIONS

THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS AS SET FORTH IN THIS OFFICIAL STATEMENT. PROSPECTIVE PURCHASERS SHOULD CAREFULLY EXAMINE THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING THEIR INVESTMENT DECISIONS, INCLUDING PARTICULARLY THE PORTION OF THE OFFICIAL STATEMENT ENTITLED “INVESTMENT CONSIDERATIONS.”

**SELECTED FINANCIAL INFORMATION (UNAUDITED)**

January 1, 2024 Certified Taxable Assessed Valuation <sup>(a)</sup> .....	\$6,784,776,062
<b>Direct Debt:</b>	
Outstanding Bonds .....	\$175,930,000
The Bonds .....	<u>41,500,000</u>
Total .....	\$217,430,000
Estimated Overlapping Debt.....	<u>266,327,814</u>
Total Direct and Estimated Overlapping Debt.....	\$442,257,814
<b>Ratios of Direct Debt to:</b>	
January 1, 2024 Certified Taxable Assessed Valuation.....	2.59%
<b>Ratios of Direct Debt and Estimated Overlapping Debt to:</b>	
January 1, 2024 Certified Taxable Assessed Valuation.....	6.52%
<b>2023 District Tax Rate per \$100 of Assessed Value for the District and the District &amp; the Defined Area:</b>	
Debt Service .....	\$0.2125
Defined Area <sup>(b)</sup> .....	0.5150
Maintenance and Operations .....	<u>0.0000</u>
Total <sup>(c)</sup> .....	\$0.7275
Debt Service Fund Balance <sup>(d)</sup> .....	\$24,729,837
Projected Maximum Annual Debt Service Requirement (2025) (“MADS”).....	\$18,544,322
Projected Average Annual Debt Service Requirement (2025 – 2049).....	\$10,216,287
<b>District tax rate required to pay Projected Average Annual Requirement based</b>	
Upon January 1, 2024 Certified Taxable Assessed Valuation at 95% collections.....	\$0.16
<b>District tax rate required to pay Projected Maximum Annual Requirement based</b>	
Upon January 1, 2024 Certified Taxable Assessed Valuation at 95% collections.....	\$0.29
<b><u>Number of metered water and sewer connections as of August 28, 2024</u></b>	
Single-family, Active.....	5,451
Single-family, Inactive.....	101
Multifamily, Active.....	97
Multifamily, Inactive.....	2
Commercial and Industrial, Active.....	1,026
Commercial and Industrial, Inactive.....	62
Other, Active.....	594
Other, Inactive.....	<u>21</u>
Total	7,361
Estimated Population	45,684 <sup>(e)</sup>

(a) Certified, net of exemptions, by the FBCAD and the HCAD; represents the taxable assessed valuation of taxable property within the District as of January 1, 2024, which is comprised of \$6,599,237,987 from FBCAD and \$185,538,075 from HCAD. See “TAXING PROCEDURES.”

(b) 2017 is the first year of levy of the Defined Area Tax. The Defined Area Tax is only levied on approximately 192 acres (the “Defined Area”) within the District. The Defined Area Tax is in addition to, and exclusive of, the District’s debt service tax levied on all taxable property within the District (including the Defined Area). The Defined Area Tax is levied for the purpose of financing certain public improvements serving the Defined Area. See “THE DISTRICT – Defined Area.” Taxpayers in the Defined Area are subject to both Defined Area and District taxes. This tax is separate from the ad valorem taxes that are levied by the District upon taxable property located only within the Defined Area. Owners of property in the District that is located outside of the Defined Area do not pay Defined Area taxes.

(c) The total District tax rate without the Defined Area in the tax years 2017 – 2023 is \$0.2125 per \$100 in taxable assessed valuation. The total District tax rate, including the 2023 Defined Area tax rate, is \$0.7275.

(d) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the debt service funds. Unaudited as of August 28, 2024.

(e) Provided by the District’s Engineer.

## PRELIMINARY OFFICIAL STATEMENT

\$41,500,000

### FORT BEND COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2 UNLIMITED TAX BONDS, SERIES 2024A

(A Political Subdivision of the State of Texas  
Located in Fort Bend and Harris Counties, Texas)

#### INTRODUCTION

The Preliminary Official Statement provides certain information in connection with the issuance of the Fort Bend County Water Control and Improvement District No. 2 Unlimited Tax Bonds, Series 2024A (the “Bonds”).

The Bonds will be issued pursuant to the Texas Constitution and laws of the State of Texas (the “State”), particularly Article XVI, Section 59 of the Constitution, Chapters 49 and 51, Texas Water Code as amended, the District’s May 1, 2021 bond election, and pursuant to a resolution (the “Bond Resolution”) adopted by the Board of Directors of Fort Bend County Water Control and Improvement District No. 2 (the “District”), a political subdivision of the State containing approximately 7,276.49 acres in Fort Bend and Harris Counties, Texas, including substantially all of the area of the City of Stafford, a large portion of the area in the City of Missouri City, approximately 60 acres in the City of Sugar Land, approximately 70 acres located in the City of Houston, and certain unincorporated areas.

The Official Statement includes descriptions of the Bonds, the Bond Resolution, and certain information about the District and its financial condition. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District upon request.

#### THE BONDS

##### General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Resolution, a copy of which is available from Bond Counsel upon payment of the costs of duplication therefor. The Bond Resolution authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

##### Description

The Bonds will be dated November 7, 2024 (the “Date of Delivery”), and interest on the Bonds will accrue from the Date of Delivery of the Bonds and is payable on March 1, 2025, and on each September 1 and March 1 thereafter (each “Interest Payment Date”) until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds are serial bonds maturing on September 1 of the years and in the amounts shown under “MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS” on the cover page hereof. The Bonds are to be issued in fully registered form only in denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity. The Bonds will be initially registered and delivered only to The Depository Trust Company, New York, New York (“DTC”), in its nominee name of Cede & Co., pursuant to the book-entry system described herein. No physical delivery of the Bonds will be made to the purchasers thereof. See “Book-Entry-Only-System” below.

##### Book-Entry-Only System

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

The District cannot and does not give any assurance that (1) DTC will distribute payment of debt service on the Bonds, or redemption or other notices to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices to the

Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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 the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://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 (the “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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



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 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 detailed information from District or 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, Agent, or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or 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 Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

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

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the District or the Purchasers.

#### **Effect of Termination of Book-Entry-Only System**

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the District, printed Bonds will be issued to the Beneficial Owners and the Bonds will be subject to transfer, exchange and registration provisions set forth in the Bond Resolution and summarized under the sub-caption below entitled "Registration and Transfer." Discontinuance of the use of the DTC system of book-entry-only transfers may require approval of DTC Participants under DTC Operation Requirements.

#### **Source of Payment**

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are assessed, levied and collected, in each year, beginning with the current year, a continuing direct annual ad valorem tax, without limit as to rate, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and costs of collection. In the Bond Resolution, the District covenants that said taxes are irrevocably pledged to the payment of the interest on and principal of the Bonds and to no other purpose.

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

### **Funds**

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

### **No Arbitrage**

The District certifies that based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered, 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. Moreover, the District covenants that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds, and take such other and further actions and follow such procedures, including without limitation, calculating the yield on the Bonds as may be required so that the Bonds shall not become “arbitrage bonds” under the Code and the regulations prescribed from time to time thereunder.

### **Redemption Provisions**

The District reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2031, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000 on September 1, 2030, or any date thereafter, at a price of par value plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If less than all of the Bonds are redeemed at any time, the particular Bonds to be redeemed shall be selected by the District. If less than all bonds within a maturity are redeemed, particular Bonds or portions thereof to be redeemed shall be selected by the Registrar by lot or other random customary selection method.

If a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in integral multiples of \$5,000. Upon surrender of any Bond for redemption in part, the Registrar shall authenticate and deliver in exchange therefore a Bond or Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the 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 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 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, 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 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.

### **Method of Payment of Principal and Interest**

The Board has appointed The Bank of New York Mellon Trust Company, N.A., Houston, Texas, as the initial paying agent/registrar for the Bonds (“Paying Agent” or “Registrar”). The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See “THE BONDS – Book-Entry-Only-System.”

## **Authority for Issuance**

The District held an election on May 1, 2021, and the issuance of \$150,000,000 in principal amount of unlimited tax bonds for water and wastewater facilities was approved by the voters of the District, of which \$81,755,000 will remain authorized but unissued after the issuance of the Bonds. The Bonds will be issued pursuant to such authorization.

The Bonds will be issued by the District pursuant to the terms and conditions of Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 51 of the Texas Water Code, as amended, the Bond Resolution, an election held within the District on May 1, 2021, an order of the Commission, and general laws of the State relating to the issuance of bonds by political subdivisions of the State.

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.

## **Registration and Transfer**

So long as any Bonds remain outstanding, the Registrar shall keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Resolution.

In the event the Book-Entry-Only System is discontinued, each Bond shall be transferable only upon the presentation and surrender of such Bond at the principal payment office of the Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or authorized representative in form satisfactory to the Registrar. Upon due presentation of any Bond in proper form for transfer, the 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 so presented.

All Bonds shall be exchangeable upon presentation and surrender thereof at the principal payment office of the Registrar for a Bond 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 Registrar is authorized to authenticate and deliver exchange Bonds. Each Bond delivered shall be entitled to the benefits and security of the Bond Resolution to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

Neither the District nor the Registrar shall be required to transfer or to exchange any Bond during the period beginning on a Record 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 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 Registrar for such transfer or exchange shall be paid by the District.

## **Replacement of Registrar**

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

## **Replacement of Bonds**

In the event the Book-Entry-Only System is discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and the Registrar of security or indemnity to hold them harmless. The District or the Registrar may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

## **Issuance of Additional Debt**

The District held an election on May 1, 2021, at which the issuance of an additional \$150,000,000 in principal amount of unlimited tax bonds for water and wastewater facilities and \$25,000,000 in principal amount of unlimited tax bonds for refunding purposes were approved by the voters of the District (the “2021 Election”). After the issuance of the Bonds, \$81,755,000 in principal amount will remain authorized but unissued from the 2021 Election for water and wastewater facilities. The District may issue additional bonds, with the approval of the Commission (other than refunding bonds, which do not require Commission approval), necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. See “THE DISTRICT – General.” Moreover, the District’s voters could authorize the issuance of additional unlimited tax bonds. Any additional bonds sold would be on parity with the Bonds.

The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District’s voters or the amount ultimately issued by the District. See “INVESTMENT CONSIDERATIONS – Future Debt.”

The District is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) approval of a detailed fire plan by the Texas Commission on Environmental Quality (“TCEQ” or the “Commission”); (b) authorization of the detailed fire plan and bonds for such purposes by the qualified voters in the District; (c) approval of the bonds by the TCEQ; and (d) approval of bonds by the Attorney General of Texas. The Board has not considered a fire plan or calling an election at this time for such purposes.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) preparation of a detailed park plan; (b) authorization of park bonds by the qualified voters in the District; (c) approval of the park plan and bonds by the Commission; and (d) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District unless, the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent but not three percent of the value of the taxable property in the District. The Board has not considered authorizing the preparation of a park plan or calling a park bond election at this time.

## **Dissolution and Consolidation**

Portions of the property within the District lie within the corporate limits of the cities of Missouri City, Stafford, Sugar Land, and Houston, and the balance of the property lies within unincorporated areas. The unincorporated areas are located within the exclusive extraterritorial jurisdiction of City of Stafford and City of Sugar Land. Under Texas law, the District and the Cities of Missouri City, Stafford, Sugar Land, and Houston have authority to enter into a mutual agreement providing for the dissolution of the District, the distribution between the four cities of all the properties and assets of the District, and the pro rata assumption by the four cities of all of the debts, liabilities and obligations of the District. Such a mutual agreement would have to include provisions for service to customers in the unincorporated areas previously within the District. The aforesaid cities have no authority to abolish or dissolve the District in the absence of such a mutual agreement. No representation is made concerning the likelihood of whether the District will ever contract with the aforesaid cities for the dissolution of the District.

A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of the District’s utility system with the water and wastewater systems of the district or districts with which it is consolidating. No representation is made concerning the likelihood of whether the District will ever consolidate its utility system with any other system.

## **Remedies in Event of Default**

Other than a writ of mandamus, the Bond Resolution does not provide a specific remedy for a default. If the District defaults, a Registered Owner could petition for a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the District and the District’s officials to observe and perform the covenants, obligations or conditions prescribed in the Bond Resolution. Such remedy might need to be enforced on a periodic basis. The enforcement of a claim for payment on the Bonds would be subject to the applicable provisions of the federal bankruptcy laws, any other similar laws affecting the rights of creditors of political subdivisions, and general principles of equity. Certain traditional legal remedies may not be available. See “INVESTMENT CONSIDERATIONS – Registered Owners’ Remedies” and “– Bankruptcy Limitation to Registered Owners’ Rights.”

## **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.

### **Defeasance**

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

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

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

**SOURCES AND USES OF FUNDS**

The proceeds from this bond issue will be used to fund the following District projects: (1) a portion of the Surface Water Treatment Plant Expansion; (2) Surface Water Transmission Line Extensions; (3) Wastewater Treatment Plant No. 1 Rehabilitation; (4) Contingencies for Items 1-3; (5) Engineering for Items 1-3; and (6) costs associated with the issuance and sale of the Bonds. To the extent surplus funds are available from the sale of the Bonds, such funds may be expended for any lawful purpose for which surplus construction funds may be used consistent with the Commission rules.

CONSTRUCTION COSTS	District's Share
A District Items	
1. Surface Water Treatment Plant Expansion	\$30,600,000
2. Surface Water Transmission Line Extensions	3,610,000
3. Wastewater Treatment Plant No. 1 Rehabilitation	2,160,000
4. Contingencies	577,000
5. Engineering	2,090,000
Total District Items	\$39,037,000
<b>NET CONSTRUCTION COSTS</b>	<b>\$39,037,000</b>
NON-CONSTRUCTION COSTS	
A Legal Fees	\$450,000
B Financial Advisory Fees	430,000
C Bond Discount	1,245,000
D Bond Issuance Expenses	124,750
E Bond Application Report Costs	100,000
F Attorney General Fee	9,500
G TCEQ Bond Issuance Fee	103,750
<b>TOTAL NONCONSTRUCTION</b>	<b>\$2,463,000</b>
<b>TOTAL BOND ISSUE REQUIREMENT</b>	<b>\$41,500,000</b>

**THE DISTRICT**

**General**

The District was created by an order of the State Board of Water Engineers of Texas adopted on December 16, 1946, and operates under Chapters 49 and 51 of the Texas Water Code, as amended, Chapter 9075 of the Texas Special District Local Laws Code, and other general statutes applicable to water control and improvement districts. Chapter 51 establishes the purposes of water control and improvement districts, which, among other things, include the control, storage, and distribution of water, and the protection, preservation, and restoration of the sanitary condition of water within the state. The District is subject to the continuing supervision of the TCEQ, as well as other local, state and federal regulatory agencies.

## Description and Location

The District contains approximately 7,276.49 acres of land, substantially all of which (approximately 7,038 acres) is located in northeast Fort Bend County. A portion of the District (approximately 239 acres) is located in southwest Harris County. The District is approximately 15 miles southwest of the downtown business district of the City of Houston, and includes substantially all of the City of Stafford, a portion of the City of Missouri City, approximately 60 acres of the City of Sugar Land, and approximately 70 acres of the City of Houston. The District also includes certain unincorporated areas. U.S. Highway 90A (“South Main”), an eight-lane major thoroughfare, bisects the District from east to west, Murphy Road (FM 1092) is a major thoroughfare passing north to south through the middle of the District, and U.S. Highway 59 (the “Southwest Freeway”) traverses the northern portion of the District. Beltway 8, a major freeway encircling Houston, passes adjacent to the northeast boundary of the District.

The District issued its first series of bonds in 1954 to provide water and wastewater facilities for residential, industrial and commercial users in and around areas that were later incorporated as the City of Stafford and the City of Missouri City. The proximity of the District to Houston has provided steady growth as shown from history. The chart below shows a history of metered connections.

<u>Year</u>	<u>Number of Metered Water and Sewer Customers</u>
1980	1,999
1985	3,072
1990	3,436
1991	3,620
1992	3,784
1993	3,705
1994	3,824
1995	3,927
1996	4,479
1997	4,759
1998	5,008
1999	5,234
2000	5,330
2001	5,491
2002	5,528
2003	5,920
2004	6,021
2005	6,189
2006	6,142
2007	6,281
2008	6,326
2009	6,459
2010	6,466
2011	6,702
2012	6,693
2013	7,243
2014	7,327
2015	6,822
2016	7,412
2017	7,288
2018	7,086
2019	7,102
2020	7,202
2021	7,272
2022	7,381
2023	7,901
2024	7,361

(a)

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(a) Provided by the District’s Engineer as of August 28, 2024.

## **Economic Activity**

The District is primarily located within the tri-city area of east Fort Bend County which consists of the cities of Stafford, Missouri City, Sugar Land, and a portion of Houston. Although the District contains substantial residential development, the District also has commercial and industrial businesses. A few of the larger residential subdivisions in the District are: Dove Country; Hunter's Green; Kingsway; the Promenade; Southmeadow; Stafford Run; Glen Park; and Arcott Park.

## **Defined Area**

The 84<sup>th</sup> Texas Legislature enacted House Bill 4174, codified as Chapter 9075, Special District Local Laws Code, which created a defined area within the District, consisting of approximately 192 acres (the "Defined Area"), to pay for improvements, facilities, or services that primarily benefit the Defined Area, including water, sewer, and drainage facilities, park and recreational facilities, and road improvements. The District entered into a Defined Area Financing Agreement, effective October 19, 2016, as amended (the "Contract") with the East Fort Bend County Development Authority (the "Authority"), a non-profit local government corporation created by Fort Bend County to aid, assist and act on behalf of the County, related to the financing of public improvements to serve the residential/commercial development of the Defined Area.

At an election held within the Defined Area, voters (i) approved the Contract and authorized the District to levy, assess, and collect ad valorem taxes on all taxable property within the Defined Area sufficient to make timely payment of all obligations to the Authority under the Contract and (ii) authorized the Board to levy and collect an operation and maintenance tax, not to exceed \$1.50 per \$100 of taxable assessed valuation, on all taxable property within the Defined Area. The Defined Area tax is in addition to, and exclusive of, the District's ad valorem debt service tax levied on all taxable property within the District (including the Defined Area). The Defined Area tax may be levied for the purpose of financing public improvements consisting of certain water, sewer, drainage, park and recreational facilities and road improvements to serve the Defined Area. As of the 2023 tax year, the Defined Area tax rate is currently \$0.515 per \$100 of taxable assessed valuation, which rate may be adjusted higher or lower in accordance with the Contract.

The Defined Area tax revenues collected within the Defined Area, beginning with collections from the tax levied for tax year 2017, will be paid to the Authority. The Defined Area tax and the payment to the Authority will continue until the Contract terminates December 31, 2043, unless otherwise terminated in accordance with the Contract. The payment to the Authority is absolute and unconditional until such time as the Contract has been terminated. The District has entered an interlocal agreement with Fort Bend County for the collection of the Defined Area Tax and remittance of same to the Authority. The Authority will deposit the payment into a special revenue fund, which must be accounted for independently from other funds of the Authority. The payment and the special revenue fund shall only be used to fund certain eligible public improvement costs within the Defined Area. Certain public improvements constructed by the Authority are not eligible to be financed by the Defined Area tax and the Authority agrees that it will not pledge or apply the District's payment for any such purpose. The estimated preliminary cost of the public improvements, payable from the District's payment and the special revenue fund, is \$31,289,281, exclusive of debt service, cost of issuance, and interest.

Additionally, the Authority entered into an agreement with Fort Bend County in which the County will pay the Authority 70% of the property taxes levied, assessed and collected by the County within the Defined Area for 18 years.

The Authority may issue bonds, secured by the District's annual payment and the special revenue fund, and may pledge and assign all or part of the annual payment and the special revenue fund to a developer, pursuant to a developer financing agreement between the developer and the Authority. Any such bonds shall be solely the obligation of the Authority and will not be obligations or indebtedness of the District, as provided by the terms of the Contract. The Authority has issued \$6,900,000 in principal amount of contract revenue water, sewer and drainage bonds and \$10,195,000 in principal amount of contract revenue road bonds, payable from the Defined Area tax revenue remitted to the Authority.

District improvements within the Defined Area, which include water and sanitary sewer improvements generally accepted for ownership by the District and exclude any internal road or private water and sewer improvements (as determined by the District), will be conveyed to the District and may be reimbursed by the District to the developer from the proceeds of a future bond issue pursuant to a separate Development Financing and Reimbursement Agreement between the District and the developer.



## Community Facilities

Community facilities available in the District and its general geographic area are set forth below:

**Church and Civic Groups:** Churches of most major denominations are located in the cities of Stafford and Missouri City. Civic organizations, such as the Fort Bend Chamber of Commerce, are available to District residents. The Stafford Centre Performing Arts Theatre and Convention Center is located within the District's boundaries.

**Fire Protection:** Depending upon the specific area of the District, fire protection is provided to District residents by the City of Stafford Fire Department, the City of Missouri City Fire Department and/or the City of Sugar Land Fire Department.

**Medical Facilities:** Medical facilities nearest to the District are Memorial Southwest Hospital, located adjacent to the Southwest Freeway approximately 6 miles from the District, Fort Bend Community Hospital, located on FM 1092 approximately 2 miles from the District and Methodist Sugar Land Hospital approximately 4 miles from the District.

**Schools:** The District lies within the boundaries of the Stafford Municipal School District ("MSD"), Fort Bend Independent School District, Alief Independent School District and Houston Independent School District, although there are no schools within the District that overlap with the boundaries of Alief Independent School District or Houston Independent School District. Students residing within Stafford MSD may attend the following state-accredited schools: Stafford Elementary; Stafford Junior High; or Stafford High School. Fort Bend Independent School District students residing in the District may attend the following state accredited schools located within the District: E. A. Jones Elementary, Missouri City Junior High, John Foster Dulles Elementary, Junior and Senior High School. Houston Community College Southwest also lies within the District.

**Shopping Facilities:** Shopping facilities are available in both Stafford and Missouri City to residents of the District. Facilities located on U.S. 90A, which traverses the District from east to west, and FM 1092 (Murphy Road), which traverses the District from north to south, include supermarkets, pharmacies, restaurants, hardware stores, various retail outlets, fast-food outlets, convenience stores, and various service establishments. First Colony Mall, a 1,000,000 square foot regional mall, is located approximately 2 miles southwest of the District on U.S. Highway 59.

The Fountains on the Lake, a 500,000 plus square foot retail shopping center, with several restaurants located on the perimeter of the center, is located in the District. The Fountains also includes an AMC 18-screen theater.

**Hotel/Motel Facilities:** Sixteen hotel/motel facilities (a total of approximately 988 units) are located in the District area. These hotel/motel facilities include Best Western, Comfort Suites, Courtyard by Marriott, Hampton Inn/Heritage, Homegate Hospitality, La Quinta Inn, Residence Inn by Marriott, Sun Suites, Microtel, Guest Motel, Days Inn, Extended Stay American, Americas Best Value Inn, Super 8, Homes2Suites by Hilton, and Staybridge Suites.

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## THE SYSTEM

### Water and Wastewater System

The District's existing water and wastewater system has been financed with proceeds of bonds previously issued by the District and with certain grants and surplus funds. Commencing with the initial permanent improvements provided by the District in 1954, the Board has required as a matter of policy that all internal improvements (water and sanitary sewer facilities) within development areas be constructed and financed by the developer, without reimbursement from the District.

**Source of Water Supply:** The District is presently serviced by six groundwater water plants and one surface water plant with an aggregate production capacity of 11,200 gallons per minute ("gpm"), booster pump capacity of 27,480 gpm, and a total ground and elevated storage capacity of 10,160,000 gallons. Currently raw surface water is provided through a long-term contract (through 2045) with the Gulf Coast Water Authority for 10.5 million gallons per day. The District's engineer (the "Engineer"), states that these water supply facilities are sufficient to serve approximately 27,695 equivalent single-family connections. Further growth within the District will require the expansion of the District's water system. The District currently serves 7,361 metered connections which is approximately 18,031 existing equivalent single-family connections. It is anticipated that a water system expansion would be financed by the issuance of additional bonds.

**Source of Wastewater Treatment:** The District currently owns and operates two permanent wastewater treatment plants with a present capacity totaling 8,000,000 gallons per day ("gpd") which is sufficient to serve 26,667 ESFCs. The District's Wastewater Treatment Plant No. 1 has a treatment capacity of 6,000,000 gpd and Wastewater Treatment Plant No. 2 has a treatment capacity of 2,000,000 gpd. Wastewater Treatment Plant No. 2 has a permitted final phase of 4,000,000 gpd and it is anticipated that a wastewater treatment system expansion would be financed by the issuance of bonds.

The Fort Bend Subsidence District adopted a Groundwater Management Plan (the "Plan") in 2003. The Plan requires that well owners, such as the District, reduce groundwater use 30% by 2014 and 60% by 2025. The Plan required that the District submit a groundwater reduction plan ("GRP") to the Subsidence District in 2008 establishing how the District would meet the groundwater reduction requirements. The District received approval of its GRP in May of 2008. The District has completed construction of a 3 million gallons per day ("MGD") surface water plant to meet the current conversion goal. The plant runs between 2 and 3 MGD to meet the 30% conversion requirement. The District has commenced the construction of an expansion of the District's surface water plant to 7.8 MGD to meet this regulatory requirement, for which construction is anticipated to be financed by the issuance of additional bonds, including the Bonds.

### 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 rainstorm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. The District does not own or operate any storm water drainage facilities. All stormwater facilities are owned and operated by the City of Stafford, City of Missouri City, City of Houston, City of Sugar Land, Harris County Flood Control District, or Fort Bend County Drainage District.

**DISTRICT BONDS AUTHORIZED BUT UNISSUED**

Date of Authorization	Purpose	Authorized	Issued To Date	Amount Unissued
05/01/2021	Water and Sewer	150,000,000	68,245,000 (a)	81,755,000 (a)
05/01/2021	Refunding Water and Sewer	25,000,000	0	25,000,000

(a) Includes the Bonds.

**SELECTED FINANCIAL INFORMATION (UNAUDITED)**

January 1, 2024 Certified Taxable Assessed Valuation (a).....	\$6,784,776,062
Direct Debt:	
Outstanding Bonds .....	\$134,430,000
The Bonds .....	<u>41,500,000</u>
Total .....	\$175,930,000
Estimated Overlapping Debt.....	<u>266,327,814</u>
Total Direct and Estimated Overlapping Debt.....	\$442,257,814
Ratios of Direct Debt to:	
January 1, 2024 Certified Taxable Assessed Valuation .....	2.59%
Ratios of Direct Debt and Estimated Overlapping Debt to:	
January 1, 2024 Certified Taxable Assessed Valuation .....	6.52%
Estimated 2024 Population (b) .....	45,684

Area of District: 7,276.49 acres

- (a) Certified, net of exemptions, by the FBCAD and the HCAD; represents the taxable assessed valuation of taxable property within the District as of January 1, 2024, which is comprised of \$6,599,237,987 from FBCAD and \$185,538,075 from HCAD. See "TAXING PROCEDURES."  
 (b) As provided by the District's Engineer.

**Total Outstanding Bonds**

Delivery Date	Series	Original Amount	Outstanding
03/08/2012	2012	\$6,700,000	\$2,295,000
10/04/2012	2012A	7,700,000	7,700,000
07/15/2015	2015	17,500,000	12,300,000
06/23/2016 (a)	2016	25,320,000	15,835,000 (a)
02/28/2019	2019	39,500,000	39,500,000
10/14/2021	2021	18,000,000	17,800,000
01/30/2024	2024	39,000,000	39,000,000
11/07/2024 (b)	2024A	<u>41,500,000</u>	<u>41,500,000</u> (b)
		\$195,220,000	\$175,930,000

- (a) Refunding bonds.  
 (b) The Bonds.

## Cash and Investment Balances

General Fund <sup>(a)</sup>	Cash and Temporary Investments	\$19,102,089
Debt Service Funds <sup>(a)</sup>	Cash and Temporary Investments	\$24,729,837 <sup>(b)</sup>
Capital Projects Fund <sup>(a)</sup>	Cash and Temporary Investments	\$24,806
Surface Water Fund <sup>(a)</sup>	Cash and Temporary Investments	\$5,743,926

(a) Unaudited as of August 28, 2024.

(b) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the debt service funds. Unaudited as of August 28, 2024.

## Estimated Overlapping Debt Statement

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed, unless otherwise indicated, 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 is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

Taxing Body <sup>(a)</sup>	As of	Direct Debt	Percent Overlapping Direct Debt	Overlapping Direct Debt
Alief ISD	07/31/2024	\$405,197,000	0.03%	\$121,559
Fort Bend Co	07/31/2024	876,570,455	5.43%	47,597,776
Fort Bend Co Drainage District	07/31/2024	22,655,000	5.43%	1,230,167
East Fort Bend Co Dev Auth (DA)	07/31/2024	16,480,000	100.00%	16,480,000
Fort Bend ISD	07/31/2024	1,765,610,000	3.65%	64,444,765
Harris Co	07/31/2024	1,994,511,319	0.02%	398,902
Harris Co Dept of Ed	07/31/2024	28,960,000	0.02%	5,792
Harris Co Flood Control Dist	07/31/2024	991,095,000	0.02%	198,219
Harris Co Hosp Dist	07/31/2024	65,285,000	0.02%	13,057
Harris Co Toll Road <sup>(b)</sup>	07/31/2024	0	0.02%	0
Houston Community College Sys	07/31/2024	422,215,000	2.12%	8,950,958
Houston ISD	07/31/2024	1,773,440,000	0.05%	886,720
Houston, City of	07/31/2024	3,660,980,000	0.00%	0
Missouri City, City of	07/31/2024	189,545,000	16.89%	32,014,151
Pt of Houston Auth	07/31/2024	426,134,397	0.02%	85,227
Stafford MSD	07/31/2024	94,095,000	99.72%	93,831,534
Stafford, City of	07/31/2024	0	99.72%	0
Sugar Land, City of	07/31/2024	344,940,000	0.02%	68,988
Total Overlapping Debt				\$266,327,814
The District <sup>(c)</sup>				175,930,000
Total Direct and Overlapping Debt				\$442,257,814
Total Direct and Overlapping Debt Percent of Taxable Assessed Value				6.52%
Estimated Direct and Overlapping Gross Debt per Capita				\$9,681

(a) Taxing jurisdictions with outstanding debt.

(b) The Harris County Toll Road Authority's debt is considered self-supportive debt.

(c) Includes the Bonds.

## Overlapping Taxes

Overlapping Entity <sup>(a)</sup>	Tax Year	2023 Tax Rate per \$100 AV
City of Houston	2023	\$0.519190
City of Missouri City	2023	0.570825
City of Stafford	2023	0.000000
City of Sugar Land	2023	0.350000
HCC (Stafford Only)	2023	0.092231
Fort Bend County	2023	0.426500
Fort Bend Drainage District	2023	0.012400
Harris County <sup>(b)</sup>	2023	0.533230
Fort Bend ISD	2023	0.989200
Stafford MSD	2023	0.000000
Houston ISD	2023	0.868300
Alief ISD	2023	0.986700
The District	2023	0.212500
The Defined Area <sup>(c)</sup>	2023	0.515000
HCID No. 5 (Brays Oaks) <sup>(d)</sup>	2023	0.100000
Total		\$6.176076

(a) A property owner in the District pays only one county tax, one school tax, and one, if any, city tax. The percentage of overlapping debt for the City of Houston is less than 0.02%.

(b) Includes Harris County, Harris County Department of Education, Harris County Flood Control District, Harris County Hospital District, and the Port of Houston Authority.

(c) The Defined Area Tax is only levied on approximately 192 acres (the "Defined Area") within the District. The Defined Area Tax is in addition to, and exclusive of, the District's debt service tax levied on all taxable property within the District (including the Defined Area). The Defined Area Tax is levied for the purpose of financing certain public improvements serving the Defined Area. See "THE DISTRICT – Defined Area."

(d) Only a small portion (approximately 51.27 acres) is located within Harris County Improvement District No. 5. This tax rate is not levied anywhere else in the District.

## Classification of Taxable Assessed Valuation

	2024 Assessed Valuation (a)	2023 Assessed Valuation (a)	2022 Assessed Valuation (a)	2021 Assessed Valuation (a)	2020 Assessed Valuation (a)
Land, Improvements	\$6,164,824,890	\$5,726,752,843	\$5,087,569,788	\$4,119,182,985	\$3,685,484,489
Personal Property	1,172,591,413	2,000,827,620	2,026,022,462	1,556,025,529	1,373,281,987
	\$7,337,416,303	\$7,727,580,463	\$7,113,592,250	\$5,675,208,514	\$5,058,766,476
Exemptions	(552,640,241)	(1,268,323,297)	(1,154,432,446)	(800,595,205)	(694,531,053)
Total	\$6,784,776,062	\$6,459,257,166	\$5,959,159,804	\$4,874,613,309	\$4,364,235,423

(a) Certified, net of exemptions, by the FBCAD and the HCAD.

## Tax Collections

The following statement of tax collections reflects the historical tax collection experience of the District. Such summary has been prepared for inclusion herein based upon information from District audited financial statements and records of the District tax assessor/collector (the Fort Bend County Tax Assessor / Collector). Reference is made to such audits and records for further and complete information. See “Classification of Taxable Assessed Valuation” above.

Tax Year	Taxable Assessed Valuation <sup>(b)</sup>	Tax Rate	Estimated Levy	Collections as of Tax Year End		Collections Through July 31, 2024 <sup>(a)</sup>	
				Amount	%	Amount	%
2019	\$3,987,197,703	\$0.2125	\$8,536,529	\$8,433,401	98.79%	\$8,506,834	99.65%
2020	4,364,235,423	0.2125	9,627,408	9,511,826	98.80%	9,590,619	99.62%
2021	4,874,613,309	0.2125	10,325,707	10,263,260	99.40%	10,289,167	99.65%
2022	5,959,159,804	0.2125	12,710,023	12,568,597	98.89%	12,632,886	99.39%
2023	6,459,257,166	0.2125	13,039,625	(c)	(c)	12,817,181	98.29%

(a) Unaudited.

(b) Does not include the Defined Area tax levy and collections. See “THE DISTRICT – Defined Area.”

(c) In process of collections, taxes become delinquent if not paid on or before January 31, 2024. The Board adopted the 2023 District tax rate of \$0.2125 per \$100 in taxable assessed valuation, and a 2023 Defined Area tax rate of \$0.515 per \$100 in taxable assessed valuation.

## Tax Rate Limitation

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

Maintenance: The voters in the District have not authorized the levy of a maintenance tax.

Defined Area Tax: Unlimited (no legal limit as to rate or amount).

Defined Area Maintenance Tax: \$1.50 per \$100 of taxable assessed valuation.

## Maintenance Tax

The District has the statutory authority to levy and collect an annual ad valorem tax for maintaining, repairing and operating the District’s facilities, if such maintenance tax is authorized by the District’s voters. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the outstanding District tax bonds, the Bonds, and any tax bonds which may be issued by the District in the future. To date, the voters in the District have not authorized the levy of a District-wide maintenance tax. At an election held within the Defined Area, voters authorized the District to levy and collect an operation and maintenance tax, not to exceed \$1.50 per \$100 of taxable assessed valuation, on all taxable property within the Defined Area.

## Exemptions

For the 2024 tax year, the Board of Directors of the District has authorized the exemption from taxation of \$40,000 of appraised value of residence homesteads for all persons over 65 or disabled. See “TAXING PROCEDURES – Property Subject to Taxation by the District.”

## Additional Penalties

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

## Principal Taxpayers

The following are the principal taxpayers in the District as shown on the District's certified appraisal rolls for the 2022 and 2023 tax years, which reflect ownership as of January 1. Principal taxpayers for the 2024 tax year are not yet known as a significant portion of the tax base remains uncertified.

Taxpayer	Property Type	2023	2022
Cardinal Health 110 Inc.	Supplier/Distribution Center	\$135,374,545	\$116,065,910
DPEG Fountains LP	Shopping Center/Mall	68,584,020	88,830,144
Jimbo Grid I LLC	Apartments	68,432,000	59,459,000
Jimbo Grid II LLC	Apartments	65,000,000	-
Best Buy Warehousing Logistics Inc.	Supplier/Distribution Center	62,234,688	64,678,950
Hou Ind 3 LLC	Storage Units/Warehouses	57,015,677	44,017,767
Ben E. Keith Co. <sup>(a)</sup>	Supplier/Distribution Center	55,113,246	50,350,120
VR Colony Lakes Holdings LP	Apartments	52,777,000	46,041,000
Park 8Ninety Phase II LP	Supplier/Distribution Center	50,019,348	-
Park 8Ninety Phase V LP	Supplier/Distribution Center	49,069,182	-
Left Gate Property Holding Inc.	Car Dealership	-	186,315,630
JLB Stafford Phase I/II LP	Apartments	-	66,089,600
Weatherford Farms DC LP	Business Park	-	42,579,100
	Total Taxable Assessed Value	\$663,619,706	\$764,427,221
	Percent of Assessed Value	10.27%	12.83%

- (a) Effective November 14, 2007, the District entered into a tax abatement agreement with Ben E. Keith Company, which expired on December 31, 2022, as to Phase I and continues until December 31, 2029, as to Phase II, unless terminated earlier pursuant to the terms of said agreement, as amended on October 15, 2008, first restated and amended on February 7, 2011, and second restated and amended on December 19, 2012, and which provides a property tax abatement of varying percentages for the years 2013 – 2022 and 2020 – 2029 on certain improvements constructed and tangible personal property located in the District by Ben E. Keith Company, all as provided in said tax abatement agreement.

## Tax Rates

	2023	2022	2021	2020	2019
Debt Service	\$0.2125	\$0.2125	\$0.2125	\$0.2125	\$0.2125
Defined Area <sup>(a)</sup>	0.5150	0.5150	0.5150	0.5150	0.5150
Maintenance & Operation	0.0000	0.0000	0.0000	0.0000	0.0000
Total <sup>(b)</sup>	\$0.7275	\$0.7275	\$0.7275	\$0.7275	\$0.7275

- (a) The Defined Area Tax is only levied on approximately 192 acres (the “Defined Area”) within the District. The Defined Area Tax is in addition to, and exclusive of, the District’s debt service tax levied on all taxable property within the District (including the Defined Area). The Defined Area Tax is levied for the purpose of financing certain public improvements serving the Defined Area. See “THE DISTRICT – Defined Area.” Taxpayers in the Defined Area are subject to both Defined Area and District taxes. This tax is separate from the ad valorem taxes that are levied by the District upon taxable property located only within the Defined Area. Owners of property in the District that is located outside of the Defined Area do not pay Defined Area taxes.
- (b) The total District tax rate without the Defined Area in the tax years 2019 – 2023 is \$0.2125 per \$100 in taxable assessed valuation.

**Preliminary Tax Adequacy for Debt Service**

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in taxable assessed valuation over the 2023 and 2024 Certified Taxable Assessed Valuations and utilizes tax rates adequate to service the District’s total debt service requirements, including the Bonds. No available debt service funds are reflected in these computations.

Projected Average Annual Debt Service Requirements (2025 – 2049) .....	\$10,216,287
Tax Rate of \$0.16 on the 2024 Certified Taxable Assessed Valuation produces .....	\$10,312,860
Projected Maximum Debt Service Requirement (2025).....	\$18,544,322
Tax Rate of \$0.29 on the 2024 Certified Taxable Assessed Valuation produces .....	\$18,692,058

**Debt Service Fund Management Index**

Projected Debt Service Requirement for year ending December 31, 2025 <sup>(a)</sup> .....	\$18,544,322
Debt Service Fund Balance (Unaudited) <sup>(b)</sup> .....	\$24,729,837
2023 Debt Service Tax Levy at 95% collections produces <sup>(c)</sup> .....	\$13,039,625

- (a) Represents the projected Debt Service Requirements after the issuance of the Bonds.
- (b) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the debt service funds. Unaudited as of August 28, 2024.
- (c) Utilizing District’s 2023 debt service tax rate of \$0.2125/\$100 of taxable assessed valuation.

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## Rate and Fee Schedule

The Board of Directors of the District establishes rates and fees for water and sewer service. The rates are subject to change from time to time.

### Water Rates (Monthly Billing)

Single-Family Residential:

Amount of Payment

\$12.65 Minimum  
\$2.20 per 1,000 gallons  
\$3.30 per 1,000 gallons

Water Usage

0 – 6,000 gallons  
6,001 – 10,000 gallons  
Anything over 10,000 gallons

Multi-Family Residential:

Amount of Payment

\$12.65 Minimum  
\$2.20 per 1,000 gallons  
\$3.30 per 1,000 gallons

Water Usage

0 – 6,000 gallons  
6,001 – 10,000 gallons  
Anything over 10,000 gallons

Commercial:

Amount of Payment

\$15.65 per unit minimum  
\$3.30 per 1,000 gallons

Water Usage

0 – 6,000 gallons  
Over 6,000 gallons

### Sewer Charges

Residential:

After initial occupancy, each Single-Family Residential User and Multi-Family User (other than such users within the City of Stafford extraterritorial jurisdiction receiving garbage service from the District) shall be charged and shall pay a flat monthly sewer charge of \$18.71 for sanitary sewer service from the District.

Commercial:

After availability for occupancy of any unit, each Commercial User shall be charged and shall pay the following monthly rates for sewer service from the District:

Amount of Payment

\$14.30 Minimum  
\$3.30 per 1,000 gallons

Sewage Discharged

0 – 6,000 gallons  
Anything over 6,000 gallons

**Waterworks and Sewer System Operating Statement <sup>(a)</sup>**

Fiscal Year Ended September 30

	2023	2022	2021	2020	2019
<b>REVENUES:</b>					
Water Service	\$7,440,488	\$6,034,996	\$5,534,229	\$5,542,231	\$5,287,694
Sewer Service	5,496,909	4,523,930	4,458,306	4,344,628	4,365,515
Fifth Street maintenance	45,279	40,548	42,067	0	0
Defined Area property taxes	1,612,473	1,112,610	886,541	593,228	357,369
Penalty and Interest	177,800	139,644	135,289	58,546	133,880
Tap Connection and Inspection Fees	1,115,843	650,745	777,988	946,724	1,290,287
Groundwater Reduction Fee	2,501,160	2,058,144	1,946,618	1,902,392	1,843,482
Miscellaneous	201,614	196,404	184,525	178,810	352,019
Investment earnings	703,988	94,138	3,108	164,943	429,073
<b>TOTAL REVENUES</b>	<b>\$19,295,554</b>	<b>\$14,851,159</b>	<b>\$13,968,671</b>	<b>\$13,731,502</b>	<b>\$14,059,319</b>
<b>EXPENDITURES:</b>					
Personnel	\$4,087,193	\$3,693,397	\$3,206,479	\$3,080,871	\$3,050,593
Professional Fees	467,414	429,676	494,834	439,946	316,577
Fifth Street fees	42,712	21,111	21,120	0	0
Utilities	1,152,461	760,173	721,217	709,065	661,932
Repairs and Maintenance	3,307,742	2,832,172	2,479,099	2,558,469	2,944,734
Surface Water	3,294,534	2,695,501	2,555,251	2,661,964	2,441,184
Administrative Expenses	617,786	570,417	529,514	454,756	461,673
Tap Connections	431,853	204,437	271,549	426,742	587,122
Other	435,034	501,191	324,434	333,791	319,415
Defined Area public improvements	1,612,473	1,112,610	886,541	593,228	357,369
Capital Outlay	1,169,484	958,935	8,295,196	4,767,336	937,697
<b>TOTAL EXPENDITURES</b>	<b>\$16,618,686</b>	<b>\$13,779,620</b>	<b>\$19,785,234</b>	<b>\$16,026,168</b>	<b>\$12,078,296</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>\$2,676,868</b>	<b>\$1,071,539</b>	<b>(\$5,816,563)</b>	<b>(\$2,294,666)</b>	<b>\$1,981,023</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating Transfers in (out)	1,665,423	0	0	35,988	1,094,434
Sale of capital assets	0	0	17,700	19,700	13,963
Insurance Proceeds	0	0	0	0	0
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	<b>\$4,342,291</b>	<b>\$1,071,539</b>	<b>(\$5,798,863)</b>	<b>(\$2,238,978)</b>	<b>\$3,089,420</b>
<b>BEGINNING FUND BALANCE</b>	<b>\$13,643,384</b>	<b>\$12,571,845</b>	<b>\$18,370,708</b>	<b>\$20,609,686</b>	<b>\$17,520,266</b>
<b>ENDING FUND BALANCE</b>	<b>\$17,985,675</b>	<b>\$13,643,384</b>	<b>\$12,571,845</b>	<b>\$18,370,708</b>	<b>\$20,609,686</b>

(a) Such summary is based upon information obtained from the audited financial statements for fiscal years ended 2019 – 2023.

**Debt Service Fund Operating Statement <sup>(a)</sup>**

	Fiscal Year Ended September 30				
	2023	2022	2021	2020	2019
<b>REVENUES:</b>					
Property Taxes	\$12,420,247	\$10,334,086	\$9,612,547	\$8,450,662	\$7,986,557
Penalty and Interest	82,391	69,702	57,596	39,714	49,569
Miscellaneous	14,216	91,132	50,373	51,760	42,889
Investment earnings	675,105	229,347	1,362	62,631	218,337
<b>TOTAL REVENUES</b>	<b>\$13,191,959</b>	<b>\$10,724,267</b>	<b>\$9,721,878</b>	<b>\$8,604,767</b>	<b>\$8,297,352</b>
<b>EXPENDITURES:</b>					
Tax collection services	\$103,243	\$91,102	\$74,449	\$62,651	\$64,894
Principal retirement	3,250,000	3,315,000	3,090,000	3,680,000	3,585,000
Cash defeasance	3,290,000	1,115,000	1,470,000	1,730,000	0
Interest and fiscal charges	3,439,087	3,600,706	3,392,573	3,631,628	3,052,040
<b>TOTAL EXPENDITURES</b>	<b>\$10,082,330</b>	<b>\$8,121,808</b>	<b>\$8,027,022</b>	<b>\$9,104,279</b>	<b>\$6,701,934</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>\$3,109,629</b>	<b>\$2,602,459</b>	<b>\$1,694,856</b>	<b>(\$499,512)</b>	<b>\$1,595,418</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from the sale of bonds	0	0	0	0	0
Bond premium	0	0	0	0	0
Payment to escrow agent	0	0	0	0	0
Debt service – principal	0	0	0	0	0
Internal transfers	0	0	0	0	0
Transfers to Debt Service Fund	0	0	0	0	0
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	<b>\$3,109,629</b>	<b>\$2,602,459</b>	<b>\$1,694,856</b>	<b>(\$499,512)</b>	<b>\$1,595,418</b>
<b>BEGINNING FUND BALANCE</b>	<b>\$10,783,661</b>	<b>\$8,181,202</b>	<b>\$6,486,346</b>	<b>\$6,985,858</b>	<b>\$5,390,440</b>
<b>ENDING FUND BALANCE</b>	<b>\$13,893,290</b>	<b>\$10,783,661</b>	<b>\$8,181,202</b>	<b>\$6,486,346</b>	<b>\$6,985,858</b>

(a) Such summary is based upon information obtained from the audited financial statements for fiscal years ended 2019 – 2023.

## MANAGEMENT

### Board of Directors

The directors and officers of the District are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John Rose	President	May, 2028
Jody Court	Vice President	May, 2028
Linda Walker	Secretary	May, 2026
Harvey Koudelka	Assistant Secretary	May, 2028
Linda Burks	Assistant Secretary	May, 2026

All of the Directors listed above own land subject to taxation within, or reside in, the District. Directors have four-year staggered terms. Elections are held only in even-numbered years on the first Saturday in May.

### Tax Assessor/Collector

Land and improvements in the District are appraised for taxation by the Fort Bend Central Appraisal District and the Harris Central Appraisal District. The Fort Bend County Tax Assessor/Collector currently serves the District as tax assessor/collector under an interlocal contract.

### Engineer

The District employs an in-house engineer, Mr. Jason Kirby, P.E., who provides engineering consultation and oversight for day-to-day operations and projects. The District has also hired Quiddity Engineering, LLC, as consulting engineer.

### Bond Counsel

The District has engaged Allen Boone Humphries Robinson LLP as general counsel to the District and Bond Counsel in connection with the issuance of the Bonds by the District. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and therefore, such fees are contingent upon the sale and delivery of the Bonds.

### Financial Advisor

RBC Capital Markets, LLC (the "Financial Advisor"), has been employed since 2003 as Financial Advisor to the District. The fees paid the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on the amount of Bonds actually issued, sold and delivered, and therefore such fees are contingent on the sale and delivery of the Bonds. The Financial Advisor has participated in the preparation of the Official Statement, however the Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement that has been supplied or provided by third parties.

### Auditor

The District's financial statements for the fiscal year ended September 30, 2023, were audited by McGrath & Co., PLLC. See "APPENDIX A" for a copy of the District's 2023 audited financial statements.

### District Operations

The District owns and operates its own water and wastewater facilities. Owen Matherne is the General Manager and has been employed by the District since September 8, 1976. The District employs a total of 42 full-time employees. The District provides retirement, disability and death benefits for all of its employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System ("TCDRS"). See the District's Audited Financial Statements in "APPENDIX A" for more information.

**PROJECTED DEBT SERVICE REQUIREMENTS**

Year End 12/31	Outstanding Debt Service	The Bonds <sup>(a)</sup>				Total
		Principal Due 9/1	Interest Due 3/1	Interest Due 9/1	Total Principal & Interest	
2025	\$13,103,926.28	\$4,000,000.00	\$558,520.83	\$881,875.00	\$5,440,395.83	\$18,544,322.11
2026	11,376,557.52	4,625,000.00	796,875.00	796,875.00	6,218,750.00	17,595,307.52
2027	9,009,907.52	1,495,000.00	698,593.75	698,593.75	2,892,187.50	11,902,095.02
2028	8,936,607.52	905,000.00	666,825.00	666,825.00	2,238,650.00	11,175,257.52
2029	7,682,957.52	345,000.00	647,593.75	647,593.75	1,640,187.50	9,323,145.02
2030	7,686,345.02	355,000.00	640,262.50	640,262.50	1,635,525.00	9,321,870.02
2031	7,692,995.02	365,000.00	632,718.75	632,718.75	1,630,437.50	9,323,432.52
2032	7,701,632.50	375,000.00	624,962.50	624,962.50	1,624,925.00	9,326,557.50
2033	7,706,157.50	385,000.00	616,993.75	616,993.75	1,618,987.50	9,325,145.00
2034	7,714,501.26	390,000.00	608,812.50	608,812.50	1,607,625.00	9,322,126.26
2035	7,742,907.52	380,000.00	600,525.00	600,525.00	1,581,050.00	9,323,957.52
2036	7,776,295.02	365,000.00	592,450.00	592,450.00	1,549,900.00	9,326,195.02
2037	7,782,551.26	370,000.00	584,693.75	584,693.75	1,539,387.50	9,321,938.76
2038	7,785,638.76	385,000.00	576,831.25	576,831.25	1,538,662.50	9,324,301.26
2039	7,793,582.52	1,025,000.00	568,650.00	568,650.00	2,162,300.00	9,955,882.52
2040	7,803,288.76	400,000.00	546,868.75	546,868.75	1,493,737.50	9,297,026.26
2041	7,824,076.26	400,000.00	538,368.75	538,368.75	1,476,737.50	9,300,813.76
2042	7,828,038.76	410,000.00	529,868.75	529,868.75	1,469,737.50	9,297,776.26
2043	7,837,763.76	420,000.00	521,156.25	521,156.25	1,462,312.50	9,300,076.26
2044	7,847,663.76	425,000.00	512,231.25	512,231.25	1,449,462.50	9,297,126.26
2045	7,864,988.76	430,000.00	503,200.00	503,200.00	1,436,400.00	9,301,388.76
2046	7,888,093.76	425,000.00	494,062.50	494,062.50	1,413,125.00	9,301,218.76
2047	1,530,000.00	6,800,000.00	485,031.25	485,031.25	7,770,062.50	9,300,062.50
2048	1,515,000.00	7,105,000.00	340,531.25	340,531.25	7,786,062.50	9,301,062.50
2049		8,920,000.00	189,550.00	189,550.00	9,299,100.00	9,299,100.00
	<u>\$185,431,476.56</u>	<u>\$41,500,000.00</u>	<u>\$14,076,177.08</u>	<u>\$14,399,531.25</u>	<u>\$69,975,708.33</u>	<u>\$255,407,184.89</u>

Projected Maximum Annual Debt Service Requirement (2025) (“MADS”).....	\$18,544,322
Projected Average Annual Debt Service Requirement (2025 – 2049).....	\$10,216,287

(a) Preliminary; interest estimated at 4.250%.

## TAXING PROCEDURES

### **Authority to Levy Taxes**

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the District's outstanding bonds, the Bonds and any additional bonds payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS – Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully herein under "THE BONDS – Source of Payment." Under Texas law, the Board may also levy and collect an annual ad valorem tax, if authorized by the District's voters, to pay administrative and maintenance costs of the District and to pay certain contractual obligations.

### **Property Tax Code and County-Wide Appraisal District**

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

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with the responsibility for reviewing and equalizing the values established by the appraisal district. The Fort Bend Central Appraisal District and Harris Central Appraisal District (together, the "Appraisal Districts") have the responsibility for appraising property for all taxing units within Fort Bend County and Harris County, including the District. Such appraisal values are subject to review and change by the Fort Bend County Appraisal Review Board and the Harris County Appraisal Review Board, respectively (together, the "Appraisal Review Boards").

### **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 or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of taxable valuation depending upon the disability rating of the veteran, if such rating is less than 100. A veteran who receives a disability rating of 100% is entitled to an exemption of the full amount of the veteran's residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran is entitled to an exemption for the full value of the veteran's residence homestead to which the disabled veterans' exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or, effective January 1, 2018, (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the nearest value of the residence as of the date of the donation is made. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who 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 Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered by the Board of Directors of the District each year, but must be adopted before July 1.

## **Freeport Goods Exemption**

A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, 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. 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, Harris County, the City of Stafford, the City of Missouri City, the City of Sugar Land, or the City of Houston may designate all or part of the area within the District as a reinvestment zone. Thereafter, Fort Bend County, Harris County, the City of Stafford, the City of Missouri City, the City of Sugar Land, or the City of Houston and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, an entity must adopt guidelines and criteria for establishing tax abatement, which such entity will follow in granting tax abatement to owners of property within the zone. 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 taxable assessed valuation of property covered by the agreement over its taxable 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 agreement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard for the terms approved by the other taxing jurisdictions.

Effective November 14, 2007, the District entered into a tax abatement agreement with Ben E. Keith Company, which expired on December 31, 2022, as to Phase I and continues until December 31, 2029, as to Phase II, unless terminated earlier pursuant to the terms of said agreement, as amended on October 15, 2008, first restated and amended on February 7, 2011, and second restated and amended on December 19, 2012, and which provides a property tax abatement of varying percentages for the years 2013 – 2022 and 2020 – 2029 on certain improvements constructed and tangible personal property located in the District by Ben E. Keith Company, all as provided in said tax abatement agreement.

Effective August 5, 2011, the District entered into a tax abatement agreement with Tyco Valves & Controls, LP, which expired on December 31, 2023, which provided a property tax abatement of various percentages for the years 2014 to 2023 on certain improvements constructed and tangible property located in the District by Tyco Valves & Controls, LP, all as provided in said tax abatement agreement. Subsequently, Tyco Valves & Controls, LP, underwent an entity name change from Tyco Valves & Controls, LP, to Pentair Valves & Controls US, LP, and from Pentair Valves & Controls US, LP to Emerson Automation Solutions Final Central USLP.

Effective June 6, 2012, the District entered into a tax abatement agreement with Niagara Bottling, LLC, which expired on December 31, 2023, which provided a property tax abatement of various percentages for the years 2014 to 2023 on certain improvements constructed and tangible property located in the District by Niagara Bottling, LLC, all as provided in said tax abatement agreement.

Effective September 18, 2013, the District entered into a tax abatement agreement with Imperial Linen Services, Inc., which expired on September 18, 2023, which provided a property tax abatement of various percentages for the years 2014 to 2023 on certain improvements constructed and tangible property located in the District by Imperial Linen Services, Inc., all as provided in said tax abatement agreement.

### **Valuation of Property for Taxation**

Generally, property in the District must be appraised by the applicable 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 Boards it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. Nevertheless, certain land may be appraised at less than market value, as such is defined in the Property Tax Code. The Texas Constitution limits increases in the appraised value of residence homesteads to 10 percent annually regardless of the market value of the property.

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

The Property Tax Code requires the Appraisal Districts 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 Districts at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal Districts 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 Districts 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 Districts choose formally to include such values on its appraisal roll.

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

### **District and Taxpayer Remedies**

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

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



## **Levy and Collection of Taxes**

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

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

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

### *Special Taxing Units*

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

### *Developed Districts*

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

### *Developing Districts*

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

### *The District*

For the 2024 tax year, the District and Defined Area were each determined to be a Special Taxing Unit. A determination as to the 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.

### **District 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 and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on parity with tax liens of such other taxing units (see "SELECTED FINANCIAL INFORMATION (UNAUDITED) – Overlapping Taxes"). A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both, subject to the restrictions on residential homesteads described above under "Levy and Collection of Taxes." In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the 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 two (2) years for residential and agricultural property and six (6) months for commercial 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. See "INVESTMENT CONSIDERATIONS – General" and "– Tax Collections."

### **Tax Payment Installments After Disaster**

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

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

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## INVESTMENT CONSIDERATIONS

### General

The Bonds are obligations of the District and are not obligations of the State, Harris County, Fort Bend County, the City of Stafford, the City of Missouri City, the City of Sugar Land, the City of Houston, or any other entity. The Bonds, equally and ratably with the District's outstanding bonds and future parity bonds, are payable from a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District. See "THE BONDS – Source of Payment." The investment quality of the Bonds depends on the ability of the District to collect from the property owners all taxes levied against their property or, in the event of foreclosure, the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representation that over the life of the Bonds the taxable property within the District will maintain a value sufficient to justify continued payment of taxes by property owners or that there will be a market for any property if the District forecloses on property to enforce its tax lien. See "Tax Collections" and "Registered Owners' Remedies" below.

### Factors Affecting Taxable Values and Tax Payments

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

**Economic Factors and Interest Rates:** A substantial percentage of the taxable value of the District is derived from the current market value of commercial improvements and single-family residences. The market value of such property is related to general economic conditions affecting the demand therefore. Decreases in the market value of such property would tend to reduce the taxable values in the District.

Since the District is located approximately 15 miles from the central downtown business district of the City of Houston, the success of development within the District and growth of taxable property values within the District are, to a great extent, a function of the Houston metropolitan and regional economies. A downturn in the economic conditions of Houston could adversely affect property values in the District.

### Approval of the Bonds

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

### Maximum Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2024 Certified Taxable Assessed Valuation of the District is \$6,784,776,062 (see "SELECTED FINANCIAL INFORMATION (UNAUDITED)"). After issuance of the Bonds, the Projected Maximum Annual Debt Service Requirement will be \$18,544,322 (2025) and the Projected Average Annual Debt Service Requirement, on a calendar year basis, will be \$10,216,287 (2025 – 2049). Assuming no increase or decrease from the 2024 Certified Taxable Assessed Valuation and no use of funds on hand, a debt service tax rate of \$0.29 per \$100 of taxable assessed valuation at a 95% collection rate would be necessary to pay the Projected Maximum Annual Debt Service Requirement and a tax rate of \$0.16 per \$100 of taxable assessed valuation at a 95% collection rate would be necessary to pay the Projected Average Annual Debt Service Requirement. The District's 2023 debt service tax rate is \$0.2125 per \$100 of taxable assessed valuation. See "PROJECTED DEBT SERVICE REQUIREMENTS" and "SELECTED FINANCIAL INFORMATION (UNAUDITED) – Tax Adequacy for Debt Service." Property within the District also is subject to taxes levied by other political subdivisions. See "SELECTED FINANCIAL INFORMATION (UNAUDITED) – Estimated Overlapping Debt Statement" and "– Overlapping Taxes."

### Tax Collections

The District's ability to make debt service payments on the District's outstanding bonds, the Bonds and additional parity bonds that may be issued by the District in the future may be adversely affected by the District's inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property or (d) the taxpayer's right to redeem the property. 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. Because ownership of the land within the District is highly fragmented among a large number of taxpayers, attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer.

### **Principal Taxpayers' Obligations to the District**

The ability of any principal taxpayer to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. As illustrated in this Official Statement under the caption "SELECTED FINANCIAL INFORMATION (UNAUDITED) – Principal Taxpayers," the District's ten major taxpayers in 2023 owned property located within the District the aggregate taxable assessed valuation of which comprised approximately 10.27% of the District's total 2023 Taxable Assessed Valuation. Principal taxpayers for the 2024 tax year are not yet known as a significant portion of the tax base remains uncertified. In the event one of these taxpayers, or any combination of taxpayers, should default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax liens, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate. The District is not required by law or the Bond Resolution to maintain any specified amount of surplus in its debt service funds. See "SELECTED FINANCIAL INFORMATION (UNAUDITED) – Principal Taxpayers" and "TAXING PROCEDURES – Levy and Collection of Taxes."

### **Registered Owners' Remedies**

Pursuant to Texas law, the Bond Resolution provides that if the District defaults in the payment of the principal of or interest on any of the Bonds when due, or defaults in the observance or performance of any of the covenants, conditions or obligations set forth in the Bond Resolution, then a Registered Owner shall be entitled to seek a writ of mandamus from a court of proper jurisdiction to compel the District to perform its obligations or levy adequate taxes to make principal or interest payments on the Bonds. Such remedy would have to be exercised upon each separate default and may prove costly, time-consuming and difficult to enforce. Furthermore, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be taken at the initiative of, and be financed by, the Registered Owners. The Bond Resolution does not provide for acceleration of maturity of the Bonds upon any default; consequently, the remedy of mandamus may have to be relied upon from year to year. The rights and remedies of the Registered Owners and the enforceability of the Bonds may also be limited by bankruptcy, reorganization and other similar laws affecting the enforcement of creditor's rights generally. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. If a judgment against the District were obtained, it could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, a suit seeking the remedy of mandamus would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge.

### **Bankruptcy Limitation to Registered Owners' Rights**

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. §§ 901-946, if the District: (1) is generally authorized to file for federal bankruptcy protection by 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. Under Texas law, a water control and improvement district such as the District must obtain the approval of the Commission prior to filing for bankruptcy. The Commission must investigate the financial condition of the District and will authorize the District to proceed if the Commission determines that the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

If the District decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the District would develop and file a plan for the adjustment of its debts and the Bankruptcy Court would confirm the District's plan if:

(1) the plan complies with the applicable provisions of the Federal Bankruptcy Code; (2) all payments to be made in connection with the plan are fully disclosed and reasonable; (3) the District is not prohibited by law from taking any action necessary to carry out the plan; (4) administrative expenses are paid in full; and (5) the plan is in the best interest of creditors and is feasible. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a Registered Owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements,

substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Registered Owner's claim against the District.

The District may not be placed into bankruptcy involuntarily.

### **Marketability**

The District has no understanding 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 for 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 more generally bought, sold or traded in the secondary market.

### **Future Debt**

After the issuance of the Bonds, the District will have \$81,755,000 in principal amount of unlimited tax bonds for water and wastewater facilities and \$25,000,000 in principal amount of unlimited tax bonds for refunding bonds from the May 1, 2021 election that are authorized but unissued. The District has the right to issue additional bonds, special project bonds, and other obligations if authorized by the District's voters and the Commission. If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds and the District's other outstanding bonds. See "THE BONDS – Issuance of Additional Debt."

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

The Bond Resolution contains 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 could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX MATTERS."

### **Environmental Regulations**

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

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

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

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

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

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

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

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

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

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”) on August 15, 2024. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. While the District is currently not subject to the MS4 Permit, if the District’s inclusion were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

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

the definition of “waters of the United States” under the CWA to conform with the Supreme Court’s decision.

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

### **Changes in Tax Legislation**

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

### **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, including the District, has experienced four storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015, including Hurricane Harvey which made landfall along the Texas Gulf Coast on August 25, 2017, and brought historic levels of rainfall during the successive four days. According to the District’s Engineer, there was no interruption of water and sewer service in the District during or after the storm. According to the District’s Engineer, the District’s system did not sustain any material damage from Hurricane Harvey.

If a hurricane (or any other natural disaster) 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 would be adversely affected.

### **Hurricane Beryl**

Hurricane Beryl made landfall along the Texas Gulf Coast on July 8, 2024, and brought high levels of wind and rainfall to the Houston metropolitan area, including the District. According to the District’s Engineer, there were no interruptions of water and sewer service as a result of Hurricane Beryl. According to District's Engineer, the District's system did not sustain any material damage from Hurricane Beryl. The District did not receive reports that any homes or improvements within the District experienced structural flooding or other significant damage as a result of Hurricane Beryl.

### **Specific Flood Type Risks**

#### *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 overland. 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 floods are very dangerous and destructive not only because of the force of the water, but also the hurtling debris that is often swept up in the flow. They can occur within minutes or a few hours of excessive rainfall. They can also occur even if no rain has fallen, for instance, after a levee, dam or reservoir has failed or experienced an uncontrolled release, or after a sudden release of water by a debris or ice jam. In addition, planned or unplanned controlled releases from a dam, levee or reservoir also may result in flooding in areas adjacent to rivers, bayous or drainage systems (canals or channels) downstream.

#### *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.

## **Atlas 14**

The National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the District. The application of such regulations could additionally result in higher insurance rates.

## **LEGAL MATTERS**

### **Legal Proceedings**

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

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS," except for the information under the subheading "Book-Entry-Only System," "THE DISTRICT – General," "TAXING PROCEDURES," "LEGAL MATTERS," and "TAX MATTERS" solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

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

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

### **No-Litigation Certificate**

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

### **No Material Adverse Change**

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



## TAX MATTERS

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in section 59(k) of the Code, as amended) for the purpose of determining the alternative minimum tax imposed on corporations.

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

Bond Counsel's opinion will assume continuing compliance with the covenants of the Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the District, the District's Financial Advisor and the Initial Purchaser with respect to matters solely within the knowledge of the District, the District's Financial Advisor and the Initial Purchaser, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Resolution or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the Date of Delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

Under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year. Payments of interest on tax-exempt obligations such as the Bonds are in many cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any owner who is not an "exempt recipient" and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and taxpayers otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

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

### **Tax Accounting Treatment of Original Issue Discount Bonds**

The initial offering price of certain of the Bonds (the "Original Issue Discount Bonds") may be less than the principal amount thereof. In such case, under existing law, (a) the difference between (i) the principal amount payable at the maturity of each Original Issue Discount Bond and (ii) the initial offering price of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of an owner who

has purchased such Original Issue Discount Bond in the initial public offering of the Bonds; and (b) such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner.

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 Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "TAX MATTERS" generally applies, except as otherwise provided below, to original issue discount on an Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the Official Statement.)

The foregoing is based on the assumptions that (a) the Initial Purchaser has purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, and (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the cover page of this Official Statement, and (c) the respective initial offering prices of the Original Issue Discount Bonds to the general public are equal to the fair market value thereof. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

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 Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Bond for purposes of determining the amount of gain or loss recognized by such owner upon 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 plus 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 Bond.

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

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

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

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

### **Award of the Bonds**

After requesting competitive bids for the Bonds, the District has accepted the lowest net effective interest rate bid, which was tendered by \_\_\_\_\_ (referred to herein as the "Initial Purchaser"). The Initial Purchaser has agreed to purchase the Bonds, bearing the interest rates on the cover page of this Official Statement, at a price of \_\_\_\_% of the par value thereof plus accrued interest to the Date of Delivery, which resulted in a net effective interest rate of \_\_\_\_%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

### **Prices and Marketability**

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 secondary market, the difference between the bid and asked price of water 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.

THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME-TO-TIME BY THE INITIAL PURCHASER AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN

MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

### **Securities Laws**

No registration statement relating to the offer and sale of the Bonds has been filed with the SEC 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 of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

### **MUNICIPAL BOND RATINGS AND INSURANCE**

The District has made application to S&P Global Ratings ("S&P") and Moody's Investors Service ("Moody's") for underlying ratings on the outstanding debt of the District and S&P and Moody's have assigned ratings of "AA" and "Aa2" respectively. An explanation of the significance of such ratings may be obtained from S&P and Moody's. These ratings reflect only the views of S&P and Moody's, and the District makes no representation as to the appropriateness of such ratings. Further, there is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely, if circumstances so warrant. Any such downward revisions or withdrawal of the ratings may have an adverse effect on the trading value and the market price of the Bonds.

Applications have been made for a commitment to issue a policy of municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by any rating companies, will be at the option and expense of the Initial Purchaser. The Initial Purchaser understands, by submission of its bid, that the Initial Purchaser is solely responsible for the selection of any insurer and for all negotiations with (i) the insurer as to the premium to be paid, and (ii) the insurer and any and all rating companies as to selection of such rating companies, the ratings to be assigned to the Bonds as a consequence of the issuance of the municipal bond guaranty insurance policy, and the payment of fees in connection with such ratings as is described above.

An explanation of the significance of such ratings may be obtained from S&P and Moody's. Each rating reflects only the view of either organization and the District makes no representation as to the appropriateness of the rating. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by S&P or Moody's, if in its judgment, circumstances so warrant. The above ratings are not a recommendation to buy, sell, or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by S&P or Moody's. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

### **MUNICIPAL BOND INSURANCE RISK FACTORS**

The District has applied for a municipal bond insurance policy to guarantee the scheduled payment of principal and interest on the Bonds. If available, the Initial Purchaser will determine whether an insurance policy will be purchased with the Bonds. If an insurance policy is purchased, the following are risk factors relating to municipal bond insurance: in the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable bond insurance policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by an issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the policy insurer (the "Bond Insurer") at such time and in such amounts as would have been due absent such prepayment by the District unless the Bond Insurer chooses to pay such amounts at an earlier date. Default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its claims paying ability. The Bond Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings

on the Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See description of “MUNICIPAL BOND RATINGS AND INSURANCE” herein.

The obligations of the Bond Insurer are general obligations of the Bond Insurer and in an event of default by the Bond Insurer, the remedies available to the bondholder may be limited by applicable bankruptcy law or other similar laws related to insolvency.

Neither the District nor the Initial Purchaser has made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment.

## **OFFICIAL STATEMENT**

### **Consultants**

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

*The Engineer:* The information contained in this Official Statement relating to engineering and to the description of the System and, in particular, that information included in the sections entitled “THE SYSTEM” and “SOURCES AND USES OF FUNDS,” has been provided by the District’s resident engineer, Mr. Jason Kirby, P.E., District Engineer, and has been included in reliance upon the authority of said engineer as an expert in the field of civil engineering. The District has also hired Quiddity Engineering, LLC as consulting engineer.

*Appraisal Districts:* The information contained in this Official Statement relating to the historical certified taxable assessed valuations has been provided by the Fort Bend Central Appraisal District and Harris Central Appraisal District and has been included herein in reliance upon the authority of such entities as experts in assessing the values of property in Fort Bend and Harris Counties, including the District.

*Tax Assessor/Collector:* The information contained in this Official Statement relating to principal taxpayers, historical tax collection rates and make-up of taxable property within the District, including such information included in the Section entitled “SELECTED FINANCIAL INFORMATION (UNAUDITED),” has been provided by the Fort Bend County Tax Assessor/Collector in reliance upon its authority as an expert in the field of tax assessing and collecting.

*Auditor:* The District’s financial statements are audited by McGrath & Co., PLLC, Certified Public Accountants. The District’s Audited Financial Statements for the fiscal year ended September 30, 2023 have been included as “APPENDIX A.”

*Financial Advisor:* RBC Capital Markets, LLC (the “Financial Advisor”) has been employed since 2003 as Financial Advisor to the District. The fees paid the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on the amount of Bonds actually issued, sold and delivered, and therefore such fees are contingent on the sale and delivery of the Bonds. The Financial Advisor has participated in the preparation of the Official Statement, however the Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement that has been supplied or provided by third parties.

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

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

### **Updating of Official Statement**

If, subsequent to the date of the Official Statement, 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 in writing on or before such date that fewer than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

### **CONTINUING DISCLOSURE OF INFORMATION**

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

#### **Annual Reports**

The District will provide certain updated financial information and operating data annually to the MSRB, or any successor to its function as a repository, through its EMMA system.

The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement included under the headings "THE SYSTEM," "SELECTED FINANCIAL INFORMATION (UNAUDITED)," and "APPENDIX A" (Financial Statements of the District). The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2024. The District will provide the updated information to the MSRB via EMMA.

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

#### **Availability of Information**

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

### **Compliance with Prior Undertakings**

During the last five (5) years, the District has complied in all material respects with its previous continuing disclosure agreements made in accordance with the Rule.

## **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 Water Control and Improvement District No. 2 as of the date shown on the first page hereof.

/s/

\_\_\_\_\_  
John Rose  
President, Board of Directors  
Fort Bend County Water Control  
and Improvement District No. 2

/s/

\_\_\_\_\_  
Linda Walker  
Secretary, Board of Directors Fort  
Bend County Water Control  
and Improvement District No. 2



**AERIAL PHOTOGRAPH**  
(August 26, 2024)





**APPENDIX A**  
Financial Statements of the District



**FORT BEND COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 2**

**FORT BEND COUNTY, TEXAS**

**FINANCIAL REPORT**

**September 30, 2023**



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# McGRATH & CO., PLLC

*Certified Public Accountants*

2900 North Loop West, Suite 880

Houston, Texas 77092

## Independent Auditor's Report

Board of Directors

Fort Bend County Water Control and Improvement District No. 2

Fort Bend County, Texas

### Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Bend County Water Control and Improvement District No. 2 (the "District"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Fort Bend County Water Control and Improvement District No. 2, as of September 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

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

### Responsibilities of Management for the Financial Statements

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

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

***Board of Directors  
Fort Bend County Water Control and Improvement District No. 2  
Fort Bend County, Texas***

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to the pension and OPEB plans 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

***Board of Directors  
Fort Bend County Water Control and Improvement District No. 2  
Fort Bend County, Texas***

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

**Supplementary Information**

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

*WCG & Co, PA*

Houston, Texas  
January 24, 2024

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

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***Fort Bend County Water Control and Improvement District No. 2  
Management's Discussion and Analysis  
September 30, 2023***

**Using this Annual Report**

Within this section of the financial report of Fort Bend County Water Control and Improvement District No. 2 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2023. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

**Overview of the Financial Statements**

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

**Government-Wide Financial Statements**

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

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

**Fort Bend County Water Control and Improvement District No. 2  
 Management’s Discussion and Analysis  
 September 30, 2023**

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

**Fund Financial Statements**

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

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

**Financial Analysis of the District as a Whole**

The District’s net position at September 30, 2023, was \$94,203,940. A comparative summary of the District’s overall financial position, as of September 30, 2023 and 2022, is as follows:

	2023	2022
Current and other assets	\$ 42,032,092	\$ 40,187,466
Capital assets	152,933,007	155,689,673
Total assets	194,965,099	195,877,139
 Total deferred outflows of resources	 1,342,636	 1,325,070
 Current liabilities	 6,837,575	 9,922,004
Long-term liabilities	95,261,406	101,525,028
Total liabilities	102,098,981	111,447,032
 Total deferred inflows of resources	 4,814	 548,870
 Net position		
Net investment in capital assets	55,144,209	53,744,225
Restricted	14,150,385	10,886,399
Unrestricted	24,909,346	20,575,683
Total net position	\$ 94,203,940	\$ 85,206,307

**Fort Bend County Water Control and Improvement District No. 2**  
**Management's Discussion and Analysis**  
**September 30, 2023**

The total net position of the District increased during the current fiscal year by \$8,997,633. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2023</u>	<u>2022</u>
Revenues		
Property taxes, penalties and interest	\$ 14,428,792	\$ 11,612,660
Water and sewer service	12,937,397	10,558,926
Groundwater reduction fees	8,520,302	7,281,268
Other	3,114,185	1,403,347
Total revenues	<u>39,000,676</u>	<u>30,856,201</u>
Expenses		
Current service operations	21,953,865	17,557,325
Interest and fees	3,571,712	4,024,521
Debt issuance costs		912,538
Depreciation	4,477,466	3,599,494
Total expenses	<u>30,003,043</u>	<u>26,093,878</u>
Change in net position	8,997,633	4,762,323
Net position, beginning of year	<u>85,206,307</u>	<u>80,443,984</u>
Net position, end of year	<u>\$ 94,203,940</u>	<u>\$ 85,206,307</u>

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

The District's combined fund balances, as of September 30, 2023, were \$37,657,855, which consists of \$17,985,675 in the General Fund, \$13,893,290 in the Debt Service Fund, negative \$175,605 in the Capital Projects Fund and \$5,954,495 in the Special Revenue Fund.

*General Fund*

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

	<u>2023</u>	<u>2022</u>
Total assets	<u>\$ 20,765,140</u>	<u>\$ 16,843,868</u>
Total liabilities	\$ 2,779,465	\$ 3,200,484
Total fund balance	<u>17,985,675</u>	<u>13,643,384</u>
Total liabilities and fund balance	<u>\$ 20,765,140</u>	<u>\$ 16,843,868</u>

**Fort Bend County Water Control and Improvement District No. 2**  
**Management's Discussion and Analysis**  
**September 30, 2023**

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

	<u>2023</u>	<u>2022</u>
Total revenues	\$ 19,295,554	\$ 14,851,159
Total expenditures	<u>(16,618,686)</u>	<u>(13,779,620)</u>
Revenues over expenditures	2,676,868	1,071,539
Other changes in fund balance	1,665,423	
Net change in fund balance	<u>\$ 4,342,291</u>	<u>\$ 1,071,539</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from the provision of water and sewer services to customers within the District. These revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.

*Debt Service Fund*

A comparative summary of the Debt Service Fund's financial position as of September 30, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Total assets	<u>\$ 14,415,918</u>	<u>\$ 11,170,408</u>
Total deferred inflows	\$ 522,628	\$ 386,747
Total fund balance	13,893,290	10,783,661
Total deferred inflows and fund balance	<u>\$ 14,415,918</u>	<u>\$ 11,170,408</u>

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

	<u>2023</u>	<u>2022</u>
Total revenues	\$ 13,191,959	\$ 10,724,267
Total expenditures	<u>(10,082,330)</u>	<u>(8,121,808)</u>
Revenues over expenditures	<u>\$ 3,109,629</u>	<u>\$ 2,602,459</u>

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

**Fort Bend County Water Control and Improvement District No. 2**  
**Management's Discussion and Analysis**  
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During the current year, the District used existing debt service funds to redeem \$3,290,000 of its outstanding Series 2012 bonds prior to their stated maturity. This early redemption will reduce total debt service payments over future years by approximately \$1,464,689.

During previous fiscal year, the District used existing debt service funds to redeem \$1,115,000 of its outstanding Series 2012 bonds prior to their stated maturity. This early redemption will reduce total debt service payments over future years by approximately \$578,058.

*Capital Projects Fund*

A comparative summary of the Capital Projects Fund's financial position as of September 30, 2023 and 2022 is as follows:

	2023	2022
Total assets	\$ 24,804	\$ 5,103,032
Total liabilities	\$ 200,409	\$ 3,046,390
Total fund balance	(175,605)	2,056,642
Total liabilities and fund balance	\$ 24,804	\$ 5,103,032

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

	2023	2022
Total revenues	\$ 83,256	\$ 45,611
Total expenditures	(649,089)	(15,494,372)
Revenues under expenditures	(565,833)	(15,448,761)
Other changes in fund balance	(1,666,414)	18,000,000
Net change in fund balance	\$ (2,232,247)	\$ 2,551,239

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of unlimited tax bonds in previous fiscal years.

**Fort Bend County Water Control and Improvement District No. 2**  
**Management's Discussion and Analysis**  
**September 30, 2023**

*Special Revenue Fund*

The District uses a Special Revenue Fund to account for the financial resources and activities of its surface water treatment plant. A comparative summary of the Special Revenue Fund's financial position as of September 30, 2023 and 2022 is as follows:

	2023	2022
Total assets	<u>\$ 7,026,639</u>	<u>\$ 6,748,311</u>
Total liabilities	\$ 594,684	\$ 89,001
Total deferred inflows	477,460	
Total fund balance	<u>5,954,495</u>	<u>6,659,310</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 7,026,639</u>	<u>\$ 6,748,311</u>

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

	2023	2022
Total revenues	\$ 5,816,566	\$ 5,278,546
Total expenditures	<u>(6,522,372)</u>	<u>(4,770,742)</u>
Revenues over/(under) expenditures	(705,806)	507,804
Other changes in fund balance	991	
Net change in fund balance	<u>\$ (704,815)</u>	<u>\$ 507,804</u>

Revenues in the Special Revenue Fund primarily consist of charges to participants in the District's Groundwater Reduction Plan. The change in fund balance each year is the result of the District's plan for financing the maintenance and operation of the surface water conversion plant.

**General Fund Budgetary Highlights**

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$4,528,891 greater than budgeted. The *Budgetary Comparison Schedule* on page 48 of this report provides variance information per financial statement line item.



**Fort Bend County Water Control and Improvement District No. 2**  
**Management's Discussion and Analysis**  
**September 30, 2023**

**Capital Assets**

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

	<u>2023</u>	<u>2022</u>
Capital assets not being depreciated		
Land and improvements	\$ 4,153,648	\$ 4,153,648
Construction in progress	4,975,149	7,463,249
	<u>9,128,797</u>	<u>11,616,897</u>
Capital assets being depreciated		
Infrastructure	209,022,346	204,926,218
Buildings and improvements	2,829,773	2,829,773
Furniture, vehicles, machinery and equipment	2,321,253	2,208,481
	<u>214,173,372</u>	<u>209,964,472</u>
Less accumulated depreciation		
Infrastructure	(66,707,557)	(62,371,429)
Buildings and improvements	(1,686,751)	(1,616,975)
Furniture, vehicles, machinery and equipment	(1,974,854)	(1,903,292)
	<u>(70,369,162)</u>	<u>(65,891,696)</u>
Depreciable capital assets, net	<u>143,804,210</u>	<u>144,072,776</u>
Capital assets, net	<u>\$ 152,933,007</u>	<u>\$ 155,689,673</u>

Capital asset additions during the current year include the following:

- Dewatering improvements for wastewater treatment plant no. 2.
- Clark Plaza 8-inch waterline improvements
- Water plant no. 5 generator replacement

**Long-Term Debt**

At September 30, 2023 and 2022, the District had total bonded debt outstanding as shown below:

<u>Series</u>	<u>2023</u>	<u>2022</u>
2012	\$ 2,295,000	\$ 5,585,000
2012A	7,700,000	7,700,000
2013 Refunding		865,000
2015	13,890,000	14,430,000
2016 Refunding	15,835,000	17,580,000
2019	39,500,000	39,500,000
2021	17,800,000	17,900,000
	<u>\$ 97,020,000</u>	<u>\$ 103,560,000</u>

At September 30, 2023, the District had \$12,255,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water and sanitary sewer systems within the District and refunding of such bonds; \$150,000,000 for the purposes of acquiring, constructing

**Fort Bend County Water Control and Improvement District No. 2  
 Management’s Discussion and Analysis  
 September 30, 2023**

and improving the water and sanitary sewer systems within the District; and \$25,000,000 for refunding purposes.

**Next Year’s Budget**

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

	<u>2023 Actual</u>	<u>2024 Budget</u>
Total revenues	\$ 19,295,554	\$ 16,969,500
Total expenditures	<u>(16,618,686)</u>	<u>(16,284,900)</u>
Revenues over expenditures	2,676,868	684,600
Other changes in fund balance	<u>1,665,423</u>	<u>                    </u>
Net change in fund balance	4,342,291	684,600
Beginning fund balance	<u>13,643,384</u>	<u>17,985,675</u>
Ending fund balance	<u><u>\$ 17,985,675</u></u>	<u><u>\$ 18,670,275</u></u>

**Property Taxes**

The District’s property tax base increased approximately \$618,491,030 for the 2023 tax year from \$5,900,166,760 to \$6,518,657,790. This increase was primarily due to new construction in the District and increased property values. For the 2023 tax year, the District has levied a debt service tax rate of \$0.2125 per \$100 of assessed value and a Defined Area No. 1 only tax rate of \$0.515 per \$100 of assessed value. The total combined tax rate for property not located in Defined Area No. 1 is \$0.2125 per \$100 of assessed value, while the total combined tax rate of property located in Defined Area No. 1 is \$0.7275 per \$100 of assessed value. These are the same tax rates levied for the 2022 tax year. See Note 13 for additional information on the Defined Area No. 1 tax.

## **Basic Financial Statements**

**Fort Bend County Water Control and Improvement District No. 2**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**September 30, 2023**

	General Fund	Debt Service Fund	Capital Projects Fund	Special Revenue Fund	Total
<b>Assets</b>					
Cash and investments	\$ 18,539,252	\$ 13,893,290	\$ 24,804	\$ 6,180,100	\$ 38,637,446
Taxes receivable		522,628			522,628
Customer service receivables, net	1,807,011				1,807,011
Internal balances	(228,617)		(200,409)	429,026	
Due from other governments				346,329	346,329
Prepaid items	197,931			43,606	241,537
Inventories	449,563			27,578	477,141
Capital assets not being depreciated					
Capital assets, net					
<b>Total Assets</b>	<b>\$ 20,765,140</b>	<b>\$ 14,415,918</b>	<b>\$ (175,605)</b>	<b>\$ 7,026,639</b>	<b>\$ 42,032,092</b>
<b>Deferred Outflows of Resources</b>					
Deferred outflows related to pensions					
Deferred difference on bond refunding					
<b>Total Deferred Outflows of Resources</b>					
<b>Liabilities</b>					
Accounts payable	\$ 713,279	\$ -	\$ -	\$ 562,371	\$ 1,275,650
Other payables	489,671			32,313	521,984
Customer deposits	1,576,515				1,576,515
Accrued interest payable					
Long-term debt					
Due within one year					
Due after one year					
Net pension liability					
Total OPEB liability					
<b>Total Liabilities</b>	<b>2,779,465</b>	<b>-</b>	<b>-</b>	<b>594,684</b>	<b>3,374,149</b>
<b>Deferred Inflows of Resources</b>					
Deferred property taxes		522,628			522,628
Deferred groundwater reduction fees				477,460	477,460
Deferred inflows related to pensions					
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>522,628</b>	<b>-</b>	<b>477,460</b>	<b>1,000,088</b>
<b>Fund Balances/Net Position</b>					
<b>Fund Balances</b>					
Nonspendable	647,494			71,184	718,678
Restricted		13,893,290			13,893,290
Committed	943,959			5,883,311	6,827,270
Unassigned	16,394,222		(175,605)		16,218,617
<b>Total Fund Balances</b>	<b>17,985,675</b>	<b>13,893,290</b>	<b>(175,605)</b>	<b>5,954,495</b>	<b>37,657,855</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 20,765,140</b>	<b>\$ 14,415,918</b>	<b>\$ (175,605)</b>	<b>\$ 7,026,639</b>	<b>\$ 42,032,092</b>
<b>Net Position</b>					
Net investment in capital assets					
Restricted for debt service					
Unrestricted					
<b>Total Net Position</b>					

See notes to basic financial statements.

Adjustments	Statement of Net Position
\$ -	\$ 38,637,446
	522,628
	1,807,011
	346,329
	241,537
	477,141
9,128,797	9,128,797
<u>143,804,210</u>	<u>143,804,210</u>
<u>152,933,007</u>	<u>194,965,099</u>
784,423	784,423
<u>558,213</u>	<u>558,213</u>
<u>1,342,636</u>	<u>1,342,636</u>
	1,275,650
	521,984
	1,576,515
265,533	265,533
2,910,000	2,910,000
95,261,406	95,261,406
242,922	242,922
44,971	44,971
<u>98,724,832</u>	<u>102,098,981</u>
(522,628)	
(477,460)	
4,814	4,814
<u>(995,274)</u>	<u>4,814</u>
(718,678)	
(13,893,290)	
(6,827,270)	
<u>(16,218,617)</u>	
<u>(37,657,855)</u>	
55,144,209	55,144,209
14,150,385	14,150,385
24,909,346	24,909,346
<u>\$ 94,203,940</u>	<u>\$ 94,203,940</u>

**Fort Bend County Water Control and Improvement District No. 2**  
**Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended September 30, 2023**

	General Fund	Debt Service Fund	Capital Projects Fund	Special Revenue Fund	Total
<b>Revenues</b>					
Water service	\$ 7,440,488	\$ -	\$ -	\$ -	\$ 7,440,488
Sewer service	5,496,909				5,496,909
Fifth Street maintenance	45,279				45,279
Property taxes		12,420,247			12,420,247
Defined Area property taxes	1,612,473				1,612,473
Penalties and interest	177,800	82,391			260,191
Tap connection and inspection	1,115,843				1,115,843
Groundwater reduction fees	2,501,160			5,541,682	8,042,842
Miscellaneous	201,614	14,216			215,830
Investment earnings	703,988	675,105	83,256	274,884	1,737,233
<b>Total Revenues</b>	<b>19,295,554</b>	<b>13,191,959</b>	<b>83,256</b>	<b>5,816,566</b>	<b>38,387,335</b>
<b>Expenditures/Expenses</b>					
Current service operations					
Purchased services				1,549,831	1,549,831
Personnel	4,087,193			697,471	4,784,664
Professional fees	467,414		137,175		604,589
Fifth Street fees	42,712				42,712
Contracted services		103,243			103,243
Utilities	1,152,461			99,036	1,251,497
Repairs and maintenance	3,307,742			1,666,909	4,974,651
Surface water fees	3,294,534				3,294,534
Groundwater credit				945,672	945,672
Capital cost credit				1,481,437	1,481,437
Administrative	617,786		524	40,260	658,570
Tap connection and inspection	431,853				431,853
Other	435,034			1,831	436,865
Defined Area public improvements	1,612,473				1,612,473
Capital outlay	1,169,484		511,390	39,925	1,720,799
Debt service					
Principal		3,250,000			3,250,000
Cash defeasance		3,290,000			3,290,000
Interest and fees		3,439,087			3,439,087
Depreciation					
<b>Total Expenditures/Expenses</b>	<b>16,618,686</b>	<b>10,082,330</b>	<b>649,089</b>	<b>6,522,372</b>	<b>33,872,477</b>
<b>Revenues Over/(Under)</b>					
<b>Expenditures/Expenses</b>	2,676,868	3,109,629	(565,833)	(705,806)	4,514,858
<b>Other Financing Sources/(Uses)</b>					
Internal transfers	1,665,423		(1,666,414)	991	
<b>Net Change in Fund Balances</b>	<b>4,342,291</b>	<b>3,109,629</b>	<b>(2,232,247)</b>	<b>(704,815)</b>	<b>4,514,858</b>
<b>Change in Net Position</b>					
Fund Balance/Net Position					
Beginning of the year	13,643,384	10,783,661	2,056,642	6,659,310	33,142,997
<b>End of the year</b>	<b>\$ 17,985,675</b>	<b>\$ 13,893,290</b>	<b>\$ (175,605)</b>	<b>\$ 5,954,495</b>	<b>\$ 37,657,855</b>

See notes to basic financial statements.

<u>Adjustments</u>	<u>Statement of Activities</u>
\$ -	\$ 7,440,488
	5,496,909
	45,279
95,881	12,516,128
	1,612,473
40,000	300,191
	1,115,843
477,460	8,520,302
	215,830
	1,737,233
<u>613,341</u>	<u>39,000,676</u>
	1,549,831
(218,726)	4,565,938
	604,589
	42,712
	103,243
	1,251,497
	4,974,651
	3,294,534
	945,672
	1,481,437
	658,570
	431,853
	436,865
	1,612,473
(1,720,799)	
(3,250,000)	
(3,290,000)	
132,625	3,571,712
4,477,466	4,477,466
<u>(3,869,434)</u>	<u>30,003,043</u>
(4,514,858)	
(4,514,858)	
8,997,633	8,997,633
52,063,310	85,206,307
<u>\$ 56,546,085</u>	<u>\$ 94,203,940</u>

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***Fort Bend County Water Control and Improvement District No. 2***  
***Notes to Financial Statements***  
***September 30, 2023***

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

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

**Creation**

The District was organized, created and established pursuant to an order of the Board of Water Engineers of Texas, statutory predecessor to the Texas Commission on Environmental Quality, dated December 16, 1946, and operates in accordance with the Texas Water Code, Chapters 49 and 51, as amended. The Board of Directors held its first meeting on January 16, 1947 and the first bonds were sold in 1954.

The District’s primary activities include construction, maintenance and operation of water and wastewater facilities.

**Reporting Entity**

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

**Government-Wide and Fund Financial Statements**

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

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

*Fort Bend County Water Control and Improvement District No. 2*  
*Notes to Financial Statements*  
*September 30, 2023*

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

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

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

- The General Fund is used to account for the operations of the District’s water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are water, sewer, and groundwater reduction fees. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District’s general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District’s water and sewer systems.
- The Special Revenue Fund is used to account for revenues and expenditures associated with a joint groundwater reduction plan for the operation and maintenance of the District’s surface water plant.

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

**Measurement Focus and Basis of Accounting**

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

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

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

*Fort Bend County Water Control and Improvement District No. 2*  
*Notes to Financial Statements*  
*September 30, 2023*

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

**Use of Restricted Resources**

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

**Prepaid Items**

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

**Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At September 30, 2023, an allowance of \$66,854 was provided for possible uncollectible water/sewer accounts. An allowance for uncollectible property taxes was not considered necessary.

**Inventory**

Inventory, consisting of supplies and materials, is stated at cost. The District uses the consumption method of accounting for inventories. Under this method, inventory items are initially recorded as inventory and charged as expenditures when used.

**Interfund Activity**

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

**Capital Assets**

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

*Fort Bend County Water Control and Improvement District No. 2*  
*Notes to Financial Statements*  
*September 30, 2023*

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

**Capital Assets (continued)**

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

Assets	Useful Life
Infrastructure	15-45 years
Buildings and improvements	10-40 years
Furniture, vehicles and equipment	3-15 years

**Deferred Inflows and Outflows of Financial Resources**

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

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

At the government-wide level, the District has deferred inflows and deferred outflows related to the pension plan (see Note 8) provided to employees. The District also has deferred outflows of financial resources at the government-wide level from refunding bond transactions in which the amount required to repay the old debt exceeded the net carrying amount of the old debt. This amount is being amortized to interest expense.

**Net Position – Governmental Activities**

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

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

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

Unrestricted – resources not included in the other components.

*Fort Bend County Water Control and Improvement District No. 2*  
*Notes to Financial Statements*  
*September 30, 2023*

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

**Fund Balances – Governmental Funds**

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District's nonspendable fund balance consists of prepaid items and inventory.

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

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District's committed fund balances consist of amounts restricted for the operation of the surface water plant in the Special Revenue Fund and amounts designated for the Fifth Street area in the General Fund.

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

Unassigned - all other spendable amounts in the General Fund and deficit balances in other funds.

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

**Pensions**

The District offers a defined benefit pension plan to its employees. For purposes of measuring the net pension liability/asset, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by Texas County & District Retirement System (TCDRS). For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 8 for additional information.

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

**Post-employment Benefits Other Than Pensions**

The District offers post-employment benefits (OPEB) to its employees in the form of group term life insurance. For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to post-employment benefits and OPEB expense have been determined on the same basis as they are reported by TCDRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. See Note 9 for additional information on the District's postemployment benefits.

**Use of Estimates**

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

**Fort Bend County Water Control and Improvement District No. 2**  
**Notes to Financial Statements**  
**September 30, 2023**

**Note 2 – Adjustment from Governmental to Government-wide Basis**

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

Total fund balance, governmental funds		\$ 37,657,855
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost		\$ 223,302,169
Less accumulated depreciation		<u>(70,369,162)</u>
Change due to capital assets		152,933,007

The District provides retirement benefits to its employees through a defined benefit pension plan and group term life benefits through OPEB. Payments to employees are not due and payable in the current period and, therefore, are not recorded in the funds. The government wide statements include the following components of the District's pension and OPEB obligations:

Deferred outflows related to pensions		784,423
Deferred inflows related to pensions		(4,814)
Net pension liability		(242,922)
Total OPEB liability		<u>(44,971)</u>
Change due to pensions		491,716

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

558,213

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

Bonds payable, net		(98,171,406)
Interest payable on bonds		<u>(265,533)</u>
Change due to long-term debt and related obligations		(98,436,939)

Amounts that are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.

Property taxes and related penalties and interest		522,628
Groundwater reduction fees		<u>477,460</u>
Change due to property taxes		1,000,088

Total net position - governmental activities		<u><u>\$ 94,203,940</u></u>
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*Fort Bend County Water Control and Improvement District No. 2*  
*Notes to Financial Statements*  
*September 30, 2023*

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

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

Net change in fund balances - total governmental funds \$ 4,514,858

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for:

Property taxes and related penalties and interest	\$ 135,881	
Groundwater reduction fees	477,460	
		613,341

Costs associated with benefits to be received by employees in the future do not use financial resources and are not recorded in the funds. They are, however, recorded as expenses when earned in the government wide statements. 218,726

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

Capital outlays	1,720,799	
Depreciation expense	(4,477,466)	
		(2,756,667)

Principal payments on long-term debt use financial resources in the funds and are recorded as expenditures. At the government-wide level, payments reduce the liability for bonds payable. Interest is recorded in the funds when paid, but is accrued in the government wide statements.

Cash defeasance	3,290,000	
Principal payments	3,250,000	
Interest expense accrual	(132,625)	
		6,407,375

Change in net position of governmental activities \$ 8,997,633



**Fort Bend County Water Control and Improvement District No. 2**  
**Notes to Financial Statements**  
**September 30, 2023**

**Note 3 – Deposits and Investments**

As of September 30, 2023, the District’s cash and investments consist of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Special Revenue Fund	Total
Cash	\$ 457,794	\$ 38,231	\$ 24,804	\$ 201,737	\$ 722,566
Investments	18,081,458	13,855,059		5,978,363	37,914,880
Total	<u>\$ 18,539,252</u>	<u>\$ 13,893,290</u>	<u>\$ 24,804</u>	<u>\$ 6,180,100</u>	<u>\$ 38,637,446</u>

**Deposit Custodial Credit Risk**

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

**Investments**

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

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

*Fort Bend County Water Control and Improvement District No. 2*  
*Notes to Financial Statements*  
*September 30, 2023*

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

**Investments (continued)**

The District invests in a money market mutual fund, DWS Government Cash Institutional Shares, which is managed by DWS Investment Management Americas, Inc. This fund is rated AAAM by Standard & Poor’s and has a weighted average maturity of 25 days. As of September 30, 2023, the District’s investments in this fund are \$37,914,880. Governmental accounting standards establish the following hierarchy of inputs used to measure fair value: Level 1 inputs are based on quoted prices in active markets, Level 2 inputs are based on significant other observable inputs, and Level 3 inputs are based on significant unobservable inputs. DWS Government Cash Institutional Shares uses amortized cost (which excludes unrealized gains and losses) rather than market value to compute share price and seeks to maintain a constant dollar value per share. Accordingly, the fair value of the District’s position is the same as the value of DWS Government Cash Institutional Shares.

**Investment Credit and Interest Rate Risk**

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

**Note 4 – Interfund Balances and Transactions**

Amounts due to/from other funds at September 30, 2023, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Capital Projects Fund	\$ 200,409	Bond issuance costs paid by the General Fund
Special Revenue Fund	General Fund	429,026	Groundwater reduction plan fees payable by the General fund

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

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

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amounts</u>	<u>Purpose</u>
Capital Projects Fund	Special Revenue Fund	\$ 991	Operations and maintenance costs paid by the Surface Water Fund
Capital Projects Fund	General Fund	1,665,423	Engineering costs reimbursed from District's surplus funds

**Fort Bend County Water Control and Improvement District No. 2**  
**Notes to Financial Statements**  
**September 30, 2023**

**Note 5 – Capital Assets**

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

	Beginning Balances	Additions	Retirements	Ending Balances
Capital assets not being depreciated				
Land and improvements	\$ 4,153,648	\$ -	\$ -	\$ 4,153,648
Construction in progress	7,463,249		(2,488,100)	4,975,149
	<u>11,616,897</u>		<u>(2,488,100)</u>	<u>9,128,797</u>
Capital assets being depreciated				
Infrastructure	204,926,218	4,096,128		209,022,346
Buildings and improvements	2,829,773			2,829,773
Furniture, vehicles and equipment	2,208,481	112,772		2,321,253
	<u>209,964,472</u>	<u>4,208,900</u>		<u>214,173,372</u>
Less accumulated depreciation				
Infrastructure	(62,371,429)	(4,336,128)		(66,707,557)
Buildings and improvements	(1,616,975)	(69,776)		(1,686,751)
Furniture, vehicles and equipment	(1,903,292)	(71,562)		(1,974,854)
	<u>(65,891,696)</u>	<u>(4,477,466)</u>		<u>(70,369,162)</u>
Subtotal depreciable capital assets, net	<u>144,072,776</u>	<u>(268,566)</u>		<u>143,804,210</u>
Capital assets, net	<u>\$ 155,689,673</u>	<u>\$ (268,566)</u>	<u>\$ (2,488,100)</u>	<u>\$ 152,933,007</u>

Depreciation expense for the current year was \$4,477,466.

**Note 6 – Long-Term Debt**

Long-term debt is comprised of the following:

Bonds payable	\$ 97,020,000
Unamortized discounts	(341,474)
Unamortized premium	1,492,880
	<u>\$ 98,171,406</u>
Due within one year	<u>\$ 2,910,000</u>

**Fort Bend County Water Control and Improvement District No. 2**  
**Notes to Financial Statements**  
**September 30, 2023**

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

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

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2012	\$ 2,295,000	\$ 6,700,000	3.00% - 4.00%	September 1, 2027/2035	March 1, September 1	September 1, 2021
2012A	7,700,000	7,700,000	2.50% - 3.375%	September 1, 2024/2035	March 1, September 1	September 1, 2021
2015	13,890,000	17,500,000	3.00% - 4.00%	September 1, 2016/2040	March 1, September 1	September 1, 2023
2016 Refunding	15,835,000	25,320,000	2.00% - 4.00%	September 1, 2016/2033	March 1, September 1	September 1, 2023
2019	39,500,000	39,500,000	3.00% - 5.00%	September 1, 2024/2043	March 1, September 1	September 1, 2026
2021	17,800,000	18,000,000	1.00% - 2.375%	September 1, 2022/2046	March 1, September 1	September 1, 2026
	<u>\$ 97,020,000</u>					

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

At September 30, 2023, the District had \$12,255,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water and sanitary sewer systems within the District and for refunding purposes from the 2014 election. Additionally, from the 2021 election, the District had \$150,000,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water and sanitary sewer systems within the District; and \$25,000,000 for refunding purposes.

During the current year, the District used existing debt service funds to redeem \$3,290,000 of its outstanding Series 2012 bonds prior to their stated maturity. This early redemption will reduce total debt service payments over future years by approximately \$1,464,689.

**Fort Bend County Water Control and Improvement District No. 2**  
**Notes to Financial Statements**  
**September 30, 2023**

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

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

Bonds payable, beginning of year	\$ 103,560,000
Bonds retired	(3,250,000)
Bonds defeased	(3,290,000)
Bonds payable, end of year	<u>\$ 97,020,000</u>

As of September 30, 2023, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2024	\$ 2,910,000	\$ 3,296,252	\$ 6,206,252
2025	3,010,000	3,187,527	6,197,527
2026	3,115,000	3,075,158	6,190,158
2027	3,225,000	2,958,508	6,183,508
2028	3,335,000	2,847,208	6,182,208
2029	3,450,000	2,735,558	6,185,558
2030	3,565,000	2,618,545	6,183,545
2031	3,690,000	2,495,994	6,185,994
2032	3,815,000	2,366,631	6,181,631
2033	3,945,000	2,229,757	6,174,757
2034	2,025,000	2,088,300	4,113,300
2035	1,880,000	2,020,910	3,900,910
2036	4,710,000	1,957,694	6,667,694
2037	4,895,000	1,793,151	6,688,151
2038	5,085,000	1,615,839	6,700,839
2039	5,280,000	1,428,983	6,708,983
2040	5,490,000	1,234,889	6,724,889
2041	5,705,000	1,027,677	6,732,677
2042	5,930,000	815,239	6,745,239
2043	6,160,000	594,364	6,754,364
	<u>\$ 97,020,000</u>	<u>\$ 43,129,931</u>	<u>\$ 140,149,931</u>

**Note 7 – Property Taxes**

The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

**Fort Bend County Water Control and Improvement District No. 2**  
**Notes to Financial Statements**  
**September 30, 2023**

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

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

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2023 fiscal year was financed through the 2022 tax levy, pursuant to which the District levied a debt service tax rate of \$0.2125 per \$100 of assessed value and a Defined Area No. 1 only tax rate of \$0.515 per \$100 of assessed value. The total tax rate for property not located in Defined Area No. 1 is \$0.2125 per \$100 of assessed value, while the total combined tax rate of property located in Defined Area No. 1 is \$0.7275 per \$100 of assessed value. The resulting debt service tax levy was \$12,537,854 on the adjusted taxable value of \$5,900,166,760 and the resulting Defined Area No. 1 tax levy was \$1,613,770 on the adjusted taxable value of \$313,353,264.

Total property taxes receivable, at September 30, 2023, consisted of the following:

Current year taxes receivable	\$ 141,426
Prior years taxes receivable	213,201
	<hr/>
	354,627
Penalty and interest receivable	168,001
	<hr/>
Total property taxes receivable	<u><u>\$ 522,628</u></u>

**Note 8 – Pension Plan**

**General Information about the Pension Plan**

*Plan Description*

The District provides retirement, disability and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (“TCDRS”). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of more than 800 nontraditional defined benefit pension plans. TCDRS, in the aggregate, issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at Barton Oaks Plaza IV, Ste. 500, 901 S. MoPac Expy., Austin, TX 78746-5928 or at [www.tcdrs.org](http://www.tcdrs.org).

*Fort Bend County Water Control and Improvement District No. 2  
 Notes to Financial Statements  
 September 30, 2023*

**Note 8 – Pension Plan (continued)**

**General Information about the Pension Plan (continued)**

*Benefits Provided*

The plan provisions are adopted by the District’s Board of Directors (the “Board”), within the options available in the Texas state statutes governing TCDRS (the “TCDRS Act”). Members can retire at:

- age 60 and above with 8 or more years of service, or
- at any age with 30 years of service, or
- when the sum of their age and years of service equals 80 or more.

Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any District financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the District. Retirement benefits are calculated based on the member’s account balance (contributions plus interest) and the District’s employer match, which is currently 200%. These funds are converted to an annuity, which pay monthly benefits to the retiree. There are no automatic cost of living adjustments. Therefore, no assumption for future cost of living adjustments is included.

*Employees Covered*

At the December 31, 2022, valuation and measurement date, the following employees were covered by the benefit terms:

Active employees	45
Inactive employees entitled to but not yet receiving benefits	13
Inactive employees or beneficiaries currently receiving benefits	9
Total	67

*Contributions*

Under the TCDRS Act, the retirement plan rate of the District is actuarially determined annually. The District contributed using the actuarially determined rates of 9.64% for calendar year 2022 and 9.51% for calendar year 2023. The contribution rate payable by the employee members was 7% for calendar years 2022 and 2023. During the current fiscal year, the District contributed the required contribution of \$310,310 and an additional contribution of \$100,000 for total contributions of \$410,310.

*Fort Bend County Water Control and Improvement District No. 2*  
*Notes to Financial Statements*  
*September 30, 2023*

**Note 8 – Pension Plan (continued)**

**General Information about the Pension Plan (continued)**

A combination of three elements funds the District’s plan: employee deposits, District contributions and investment income. Pursuant to state law, employers participating in the system must pay 100% of their actuarially determined required contributions on an annual basis. Each employer has the opportunity to make additional contributions in excess of its annual required contribution rate either by adopting an elected rate that is higher than the required rate or by making additional contributions on an ad hoc basis. Employers may make additional contributions to pay down their liabilities faster, pre-fund benefit enhancements and/or buffer against future adverse experience.

For the measurement year ended December 31, 2022 the District reported pension expense of \$201,129, which was comprised of the following:

Service cost	\$ 382,901
Interest on total pension liability <sup>(1)</sup>	400,678
Administrative expenses	3,229
Member contributions	(212,978)
Expected investment return net of investment expenses	(421,561)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	53,448
Recognition of assumption changes or inputs	44,902
Recognition of investment gains or losses	31,652
Other <sup>(2)</sup>	(81,142)
Pension Expense	<u><u>\$ 201,129</u></u>

(1) Reflects the change in liability due to the time value of money.

(2) Relates to allocation of system-wide items.

At September 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 4,814	\$ 232,646
Changes of assumptions		174,390
Net difference between projected and actual earnings		204,021
Contributions made subsequent to measurement date		173,366



*Fort Bend County Water Control and Improvement District No. 2*  
*Notes to Financial Statements*  
*September 30, 2023*

**Note 8 – Pension Plan (continued)**

**General Information about the Pension Plan (continued)**

Deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset for the year ending September 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	
2023	\$ 86,675
2024	126,176
2025	125,774
2026	235,716
2027	15,950
Thereafter	15,952

**Net Pension Liability/Asset**

The District’s net pension liability/asset is measured as the total pension liability/asset less the pension plan’s fiduciary net position. The net pension liability/asset was measured as of December 31, 2022, using an actuarial valuation as of that date.

*Actuarial Assumptions*

The demographic assumptions were developed from an actuarial experience investigation of TCDRS over the years 2017-2020. All economic assumptions were recommended by Milliman, the actuary, and adopted by the TCDRS Board of Trustees in 2021. These assumptions, except where required to be different by GASS 68, are used to determine the total pension liability as of December 31, 2022. assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice.

A summary of principal assumptions and methods used to determine the net pension liability/asset is shown below.

Valuation date	December 31, 2022
Measurement date	December 31, 2022
Actuarial cost method	Entry Age normal
Discount rate	7.60%
Inflation	2.50%
Overall payroll growth	4.70%
Investment rate of return	7.50%
Real rate of return	5.00%

*Fort Bend County Water Control and Improvement District No. 2*  
*Notes to Financial Statements*  
*September 30, 2023*

**Note 8 – Pension Plan (continued)**

**Net Pension Liability/Asset (continued)**

The annual salary increase rates assumed for individual members vary by length of service and entry age group. The annual rate consists of a general wage inflation component of 3.00% (made up of 2.50% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.7% per year for a career employee.

Mortality rates for active members were based on the gender-distinct Pub-2010 General Employees Amount-Weighted Mortality Table, with rates of 135% for males and 120% females. Mortality rates for retirees and beneficiaries were based on the gender-distinct Pub-2010 General Employees Amount-Weighted Mortality Table, with rates of 135% for males and 120% for females. For disabled annuitants, the gender-distinct Pub-2010 General Employees Amount-Weighted Mortality Table is used, with rates of 160% for males and 125% for females. The rates on all tables are projected with 100% of the MP-2021 Ultimate scale after 2010.

The long-term expected rate of return on pension plan investments is 7.60%. The long-term expected rate of return on pension plan investments was determined by adding expected inflation to the expected long term real returns, and reflecting expected volatility and correlation. Note that the valuation assumption for long term expected return is re-assessed at a minimum of every four years, and is set based on a 30 year time horizon; the most recent analysis was performed in 2022. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
US Equities	11.50%	4.95%
Private Equity	25.00%	7.95%
Global Equities	2.50%	4.95%
International Equities - Developed	5.00%	4.95%
International Equities - Emerging	6.00%	4.95%
Investment Grade Bonds	3.00%	2.40%
Strategic Credit	9.00%	3.39%
Direct Lending	16.00%	6.95%
Distressed Debt	4.00%	7.60%
REIT Equities	2.00%	4.15%
Master Limited Partnerships	2.00%	5.30%
Private Real Estate Partnerships	6.00%	5.70%
Hedge Funds	6.00%	2.90%
Cash Equivalents	2.00%	0.02%
Total	100.00%	

**Fort Bend County Water Control and Improvement District No. 2**  
**Notes to Financial Statements**  
**September 30, 2023**

**Note 8 – Pension Plan (continued)**

**Net Pension Liability/Asset (continued)**

*Discount rate*

The discount rate used to measure the total pension liability/asset was 7.60%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active, inactive and retired employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability/asset.

**Changes in Net Pension Liability**

	Changes in Net Pension Liability / (Asset)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a) - (b)
Balance as of December 31, 2021	\$ 4,919,144	\$ 5,240,991	\$ (321,847)
Changes for the year:			
Service cost	382,901		382,901
Interest on total pension liability <sup>(1)</sup>	400,678		400,678
Effect of economic/demographic gains or losses	111,652		111,652
Refund of contributions	(17,125)	(17,125)	
Benefit payments	(43,939)	(43,939)	
Administrative expenses		(3,229)	3,229
Member contributions		212,978	(212,978)
Net investment income		(353,730)	353,730
Employer contributions		393,301	(393,301)
Other <sup>(2)</sup>		81,142	(81,142)
Balance as of December 31, 2022	<u>\$ 5,753,311</u>	<u>\$ 5,510,389</u>	<u>\$ 242,922</u>

(1) Reflects the change in the liability due to the time value of money.

(2) Relates to allocation of system-wide items.

**Fort Bend County Water Control and Improvement District No. 2**  
**Notes to Financial Statements**  
**September 30, 2023**

**Note 8 – Pension Plan (continued)**

**Sensitivity Analysis**

The following presents the net pension liability/asset of the District, calculated using the discount rate of 7.60%, and what the District’s net pension liability/asset would be if it were calculated using a discount rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate:

	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Total pension liability	\$ 6,625,101	\$ 5,753,312	\$ 5,023,606
Fiduciary net position	5,510,389	5,510,389	5,510,389
Net pension liability/(asset)	<u>\$ 1,114,712</u>	<u>\$ 242,923</u>	<u>\$ (486,783)</u>

**Payable to Pension Plan**

At September 30, 2023, the District reported a payable of \$43,991 for the outstanding amounts of contributions to the pension plan.

**Note 9 – Other-Post Employment Benefits**

**General Information about the Other Post-Employment Benefits Plan**

*Plan Description*

The District participates in an agent multiple employer defined-benefit group-term life insurance plan (GTL) operated by TCDRS. This plan is optional for employers that offer a pension plan through TCDRS and provides group term life insurance coverage to both current and retired employees. The District makes a combined contribution for both the active and retiree coverage; however, only the retiree coverage is considered a postemployment benefit other than pension (OPEB) subject to GASB Statement 75. Since the assets of the GTL fund can be used to pay benefits to active employees who are not part of the OPEB plan, no assets are accumulated in a trust that meets all the requirements of GASB 75, paragraph 4. Accordingly, the GTL is considered an unfunded plan.

TCDRS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the GTL. The CAFR is available upon written request from the TCDRS Board of Trustees at Barton Oaks Plaza IV, Ste. 500, 901 S. MoPac Expy., Austin, TX 78746-5928 or at [www.tcdrs.org](http://www.tcdrs.org).

**Fort Bend County Water Control and Improvement District No. 2**  
**Notes to Financial Statements**  
**September 30, 2023**

**Note 9 – Other-Post Employment Benefits (continued)**

**General Information about the Other Post-Employment Benefits Plan (continued)**

*Benefits Provided*

The GTL provides a fixed lump sum life insurance benefit in the amount of \$5,000 to beneficiaries of all active employees and retirees. Benefit terms are established under the TCDRS Act. The District’s participation in the GTL program is optional and the District may elect to opt out of (or opt into) coverage as of Jan. 1 each year.

*Employees Covered*

At the December 31, 2022, valuation and measurement date, the following employees were covered by the benefit terms:

Active employees	45
Inactive employees entitled to but not yet receiving benefits	0
Inactive employees or beneficiaries currently receiving benefits*	6
Total	51

\* Member is retired and receiving monthly pension benefits, and his or her beneficiary is eligible upon retiree's death.

*Contributions*

The District’s contribution rate is calculated annually on an actuarial basis and is equal the cost of providing a one-year death benefit equal to \$5,000. The contribution rates for the 2023 and 2022 calendar years were 0.20% and 0.28%, respectively. During the current fiscal year, the District contributed approximately \$7,500.

A summary of principal assumptions and methods used to determine the total OPEB liability is shown below.

Valuation date	December 31, 2022
Measurement date	December 31, 2022
Actuarial cost method	Entry Age normal
Discount rate	3.72%

Mortality rates for active members were based on the gender-distinct Pub-2010 General Employees Amount-Weighted Mortality Table, with rates of 135% for males and 120% females. Mortality rates for retirees and beneficiaries were based on the gender-distinct Pub-2010 General Employees Amount-Weighted Mortality Table, with rates of 135% for males and 120% for females. For disabled annuitants, the gender-distinct Pub-2010 General Employees Amount-Weighted Mortality Table is used, with rates of 160% for males and 125% for females. The rates on all tables are projected with 100% of the MP-2021 Ultimate scale after 2010.

**Fort Bend County Water Control and Improvement District No. 2**  
**Notes to Financial Statements**  
**September 30, 2023**

**Note 9 – Other-Post Employment Benefits (continued)**

**General Information about the Other Post-Employment Benefits Plan (continued)**

*Discount Rate*

The discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 3.72% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2022.

Balance as of December 31, 2021	\$ 52,120
Changes for the year:	
Service cost	7,318
Interest on total OPEB liability <sup>(1)</sup>	1,215
Effect of economic/demographic grains or losses	(1,475)
Effect of assumptions changes or inputs <sup>(2)</sup>	(13,294)
Benefit payments	(913)
Balance as of December 31, 2022	<u><u>\$ 44,971</u></u>

(1) Reflects the change in liability due to time value of money.  
(2) Reflects change in discount rate.

**Sensitivity Analysis**

The following presents the total OPEB liability of the District, calculated using the discount rate of 2.06%, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.06%) or 1 percentage point higher (3.06%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	<u>2.72%</u>	<u>3.72%</u>	<u>4.72%</u>
Total OPEB Liability	\$ 52,476	\$ 44,971	\$ 38,770

**Note 10 – Governmental 457 Retirement Plan**

The Governmental 457 Deferred Compensation Plan (the “Plan”) is a defined contribution retirement plan established by the District for all full-time employees. The District does not make contributions to the Plan and the Plan is not a pension plan as defined by GASB. The Plan is administered by the District. Employees are permitted to make salary deferrals up to applicable Internal Revenue Code limits. As of September 30, 2023, six employees participated in the Plan.

*Fort Bend County Water Control and Improvement District No. 2*  
*Notes to Financial Statements*  
*September 30, 2023*

**Note 11 – Contract with Fort Bend County – Fifth Street Area**

The District has entered into an agreement with Fort Bend County to supply water and sewer services to the Fifth Street area, which is outside the District’s boundaries (the “Fifth Street Agreement”). The contract terms initially required the District to maintain and operate the Fifth Street system through December 23, 2001. However, the District and Fort Bend County agreed to various extensions to extend the contract through January 1, 2022. On December 15, 2021, the agreement was again extended for an additional 10-year term ending January 1, 2032.

Water and wastewater services are provided from the District and are charged to the Fifth Street area residents in accordance with special rates specified in the contract. The District has agreed to provide water and sewer service for up to 1,300 equivalent single-family connections. The District shall maintain and repair the Fifth Street system, except for any repairs estimated to exceed \$25,000, which Fort Bend County shall be responsible to repair.

Under the agreement, commercial users pay a onetime capital recovery fee. These funds will be used to provide economic assistance to qualified single-family residential users. Unused capital recovery fees of \$31,205 are included with committed fund balances in the General Fund. During the fiscal year end September 30, 2019, the District, Fort Bend County, and a developer in the District agreed that the developer would pay for the construction of certain improvements to the Fifth Street System in lieu of paying required capital recovery fees.

Each customer pays a monthly \$4.00 surcharge to the District. These funds are designated for the Fifth Street Maintenance Fund as established by this agreement. These funds are used only to pay significant maintenance and repair work in the Fifth Street area. During the current year, the District billed \$45,279 in surcharges. Accumulated maintenance fees in the amount of \$912,754 are included with committed fund balances in the General Fund. The total committed fund balance associated with Fifth Street is \$943,959.

At September 30, 2023, the District has 356 water service connections and 324 sewer service connections in the Fifth Street area and has billed \$269,033 for water service and \$235,838 for sewer service, of which \$61,684 remains uncollected. Customer deposits of \$58,865 have been received from Fifth Street residents.

**Note 12 – Groundwater Reduction Plan**

In 2003, as amended in 2013, the Fort Bend County Subsidence District (the “Subsidence District”) adopted the Fort Bend County Subsidence District Regulatory Plan (the “Regulatory Plan”) to reduce subsidence by regulating the withdrawal of groundwater within Fort Bend County. The Regulatory Plan requires all water well permit holders to limit their groundwater withdrawals to seventy percent of their water consumption by 2014 and forty percent by 2025.

As permitted under the Regulatory Plan, the District and the City of Meadows Place (the “City”) entered into a Groundwater Reduction Plan Participation Agreement (the “Agreement”), which was effective January 1, 2008. The District prepared a groundwater reduction plan (GRP), which was approved by the Subsidence District.

***Fort Bend County Water Control and Improvement District No. 2***  
***Notes to Financial Statements***  
***September 30, 2023***

**Note 12 – Groundwater Reduction Plan (continued)**

The purpose of the Agreement is to establish terms and conditions under which the District and the City will participate in the GRP and fund the design, construction, operation and maintenance of the facilities necessary to implement the GRP. The District may, at its sole discretion, include other participants; establish classes of customers to whom it sells water and contract with others for the same purpose as the Agreement. This Agreement will be in effect until the latest of: (1) the Regulatory Plan is in effect, (2) forty years; or (3) payment in full of all principal, interest and premium on the Bonds issued by the District to fund any portion of the GRP. In February 2009, the District entered into the second amendment to the Wholesale Water Supply Agreement with Harris County Municipal Utility District No. 122, to include that entity in the District's GRP.

Under the terms of the Agreement, the District is responsible for developing the GRP for the benefit of all participants; shall act as the GRP administrator in implementing the GRP; and will produce and distribute all surface water necessary to meet the requirements of the Regulatory Plan. The District has established a separate accounting fund (the "Surface Water Fund") to account for all pumpage fees and other revenues received and all costs incurred with the GRP and its implementation. The Surface Water Fund is reported as a Special Revenue Fund on the District's financial statements. Participants in the GRP pay the District a monthly pumpage fee for all groundwater pumped by the participant and receive a groundwater credit for all groundwater produced. For the current fiscal year, the pumpage fee was \$2.25 per 1,000 gallons and the groundwater credit was \$0.45 per 1,000 gallons. The District may adjust the pumpage fee or the groundwater credit as it deems appropriate at its sole discretion. The District receives a capital cost credit in the amount of \$0.57 per 1,000 gallons to offset debt service payments on bonds issued to finance construction of the surface water plant. During the current fiscal year, the District recorded pumpage fees in the amount of \$5,541,682, groundwater credits in the amount of \$945,672 and capital cost credits in the amount of \$1,481,437.

The District and GCWA entered into that certain System Raw Water Availability Agreement dated July 2, 2014 (the "Prior GCWA Agreement"), which provides that GCWA will make 4.0 MGD of water available to the District, and includes an option for the District to purchase up to 6.5 MGD from GCWA in the future, which option expired July 2, 2020. GCWA and the District entered into a System Raw Water Availability Agreement, effective September 1, 2020, which extended the term of the Prior GCWA Agreements term to August 31, 2045, and provides for GCWA to make available to the District up to 10.5 MGD of water (the "GCWA Agreement"). During the current fiscal year, the District recorded expenditures in the amount of \$1,549,831 related to the GCWA Agreement.

**Note 13 – Defined Area Financing Agreement**

House Bill 4174 enacted by the Texas Legislature in the 84<sup>th</sup> Regular Session authorized the creation of a defined area within the District, consisting of approximately 192 acres (the "Defined Area") and, upon approval of the qualified voters in the Defined Area authorized the District to levy a tax to pay for improvements, facilities or services that primarily benefit the Defined Area. The District entered into a Defined Area Financing Agreement effective October 19, 2016, (the "Contract") with East Fort Bend County Development Authority (the "Authority"), which superseded and replaced that Defined Area Financing Agreement dated September 28, 2015.



*Fort Bend County Water Control and Improvement District No. 2*  
*Notes to Financial Statements*  
*September 30, 2023*

**Note 13 – Defined Area Financing Agreement (continued)**

At an election held within the Defined Area, voters (i) approved the Contract and authorized the District to levy, assess, and collect ad valorem taxes on all taxable property within the Defined Area sufficient to make timely payment of all obligations to the Authority under the Contract and (ii) authorized the Board to levy and collect an operation and maintenance tax, not to exceed \$1.50 per \$100 assessed value, on all taxable property within the Defined Area. The Defined Area tax will be in addition to, and exclusive of, the District's ad valorem debt service tax levied on all taxable property within the District (including the Defined Area). The Defined Area tax may be levied for the purpose of financing public improvements consisting of certain water, sewer, drainage, park and recreational facilities and road improvements to serve the Defined Area. The Defined Area tax is currently \$0.515 per \$100 of assessed valuation, which may be adjusted higher or lower in accordance with the Contract.

The Defined Area tax revenues collected within the Defined Area, began with collections from the tax levied for tax year 2017. The Defined Area tax and the payment to the Authority will continue until the Contract terminates December 31, 2043, unless otherwise terminated in accordance with the Contract. The payment to the Authority is absolute and unconditional until such time as the Contract has been terminated. The District has entered an interlocal agreement with Fort Bend County for the collection of the Defined Area Tax and remittance of same to the Authority. The Authority will deposit the payment into a special revenue fund, which must be accounted for independently from other funds of the Authority. The payment and the special revenue fund shall only be used to fund certain eligible public improvement costs within the Defined Area. Certain public improvements constructed by the Authority are not eligible to be financed by the Defined Area tax and the Authority agrees that it will not pledge or apply the District's payment for any such purpose.

The estimated preliminary cost of the public improvements, payable from the District's payment and the special revenue fund, is \$31,289,281, exclusive of debt service, cost of issuance, and interest. Additionally, the Authority entered into an agreement with Fort Bend County in which the County will pay the Authority 70% of the property taxes levied, assessed and collected by the County within the Defined Area for 18 years.

The Authority may issue bonds, secured by the District's payment and the special revenue fund, and may pledge and assign all or part of the payment and the special revenue fund to a developer, pursuant to a developer financing agreement between the developer and the Authority. The bonds shall be solely the obligation of the Authority and not obligations or indebtedness of the District, provided by the terms of the Contract. The Authority issued its \$5,575,000 Series 2023 Contract Revenue Road Bonds during the current year and \$6,900,000 Series 2022 Contract Revenue Bonds during the prior year. The Authority's bond issuances are secured by the Defined Area tax payment received from the District.

*Fort Bend County Water Control and Improvement District No. 2*  
*Notes to Financial Statements*  
*September 30, 2023*

**Note 13 – Defined Area Financing Agreement (continued)**

During the term of the Contract, the Authority agrees to provide the District, on an annual basis, a copy of the Authority's audit and an annual report containing specific financial information relating to the public improvement costs. District improvements within the Defined Area, which includes water and sanitary sewer improvements generally accepted for ownership by the District and excludes any internal private water and sewer improvements (as determined by the District), will be conveyed to the District by the developer and may be reimbursed by the District to the developer from the proceeds of a future bond issue, pursuant to a separate Development Financing and Reimbursement Agreement between the District and the developer.

For the current fiscal year, the collections are derived from the 2022 tax year levy. The 2022 tax levy was \$1,613,770 on the adjusted value of \$313,353,264. During the current fiscal year, the District received collections of \$1,612,473, all of which was remitted to the Authority.

**Note 14 – Risk Management**

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

**Note 15 – Subsequent Events**

On January 10, 2024, the District issued its \$39,000,000 Series 2024 Unlimited Tax Bonds at a net effective rate of 3.759489%. Proceeds of the bonds will primarily be used to fund improvements to the District's utility infrastructure.

On November 30, 2023, the District used existing debt service funds to redeem \$1,590,000 of its outstanding Series 2015 bonds prior to their stated maturity. This early redemption will reduce total debt service payments over future years by approximately \$1,046,777.

## **Required Supplementary Information**

**Fort Bend County Water Control and Improvement District No. 2**  
**Required Supplementary Information - Budgetary Comparison Schedule - General Fund**  
**For the Year Ended September 30, 2023**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>				
Water service	\$ 7,042,500	\$ 7,042,500	\$ 7,440,488	\$ 397,988
Sewer service	5,195,000	5,195,000	5,496,909	301,909
Fifth Street maintenance	42,000	42,000	45,279	3,279
Defined Area property taxes			1,612,473	1,612,473
Penalties and interest	128,500	128,500	177,800	49,300
Tap connection and inspection	713,200	713,200	1,115,843	402,643
Groundwater reduction fee	2,145,000	2,145,000	2,501,160	356,160
Miscellaneous	176,200	176,200	201,614	25,414
Investment earnings	30,000	30,000	703,988	673,988
<b>Total Revenues</b>	<b>15,472,400</b>	<b>15,472,400</b>	<b>19,295,554</b>	<b>3,823,154</b>
<b>Expenditures</b>				
Current service operations				
Personnel	4,631,000	4,631,000	4,087,193	543,807
Professional fees	475,000	475,000	467,414	7,586
Fifth Street fees	86,200	86,200	42,712	43,488
Utilities	1,310,000	1,310,000	1,152,461	157,539
Repairs and maintenance	3,537,500	3,537,500	3,307,742	229,758
Surface water fees	2,650,000	2,650,000	3,294,534	(644,534)
Administrative	692,500	692,500	617,786	74,714
Tap connection and inspection	350,000	350,000	431,853	(81,853)
Other	621,800	621,800	435,034	186,766
Defined Area public improvements			1,612,473	(1,612,473)
Capital outlay	1,230,000	1,305,000	1,169,484	135,516
<b>Total Expenditures</b>	<b>15,584,000</b>	<b>15,659,000</b>	<b>16,618,686</b>	<b>(959,686)</b>
<b>Revenues Over/(Under)</b>				
<b>Expenditures</b>	(111,600)	(186,600)	2,676,868	2,863,468
<b>Other Financing Sources</b>				
Internal transfers			1,665,423	1,665,423
<b>Net Change in Fund Balance</b>	(111,600)	(186,600)	4,342,291	4,528,891
<b>Fund Balance</b>				
Beginning of the year	13,643,384	13,643,384	13,643,384	
<b>End of the year</b>	<b>\$ 13,531,784</b>	<b>\$ 13,456,784</b>	<b>\$ 17,985,675</b>	<b>\$ 4,528,891</b>

**Fort Bend County Water Control and Improvement District No. 2**  
**Required Supplementary Information - Budgetary Comparison Schedule -**  
**Special Revenue Fund**  
**For the Year Ended September 30, 2023**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>				
Groundwater reduction fee	\$ 5,100,000	\$ 5,100,000	\$ 5,541,682	\$ 441,682
Investment earnings	15,000	15,000	274,884	259,884
<b>Total Revenues</b>	<u>5,115,000</u>	<u>5,115,000</u>	<u>5,816,566</u>	<u>701,566</u>
<b>Expenditures</b>				
Current service operations				
Purchased services	1,060,000	1,060,000	1,549,831	(489,831)
Personnel	760,000	760,000	697,471	62,529
Professional fees	5,000	5,000		5,000
Utilities	115,000	115,000	99,036	15,964
Repairs and maintenance	1,136,000	1,636,000	1,666,909	(30,909)
Groundwater credit	900,000	900,000	945,672	(45,672)
Capital cost credit	1,425,000	1,425,000	1,481,437	(56,437)
Administrative	53,000	53,000	40,260	12,740
Other	18,100	18,100	1,831	16,269
Capital outlay	100,000	100,000	39,925	60,075
<b>Total Expenditures</b>	<u>5,572,100</u>	<u>6,072,100</u>	<u>6,522,372</u>	<u>(450,272)</u>
<b>Revenues Over/(Under)</b>				
<b>Expenditures</b>	(457,100)	(957,100)	(705,806)	251,294
<b>Other Financing Sources</b>				
Internal transfers			991	991
<b>Net Change in Fund Balance</b>	(457,100)	(957,100)	(704,815)	252,285
<b>Fund Balance</b>				
Beginning of the year	6,659,310	6,659,310	6,659,310	
<b>End of the year</b>	<u>\$ 6,202,210</u>	<u>\$ 5,702,210</u>	<u>\$ 5,954,495</u>	<u>\$ 252,285</u>

**Fort Bend County Water Control and Improvement District No. 2**  
**Schedule of Changes in Net Pension Liability and Related Ratios - Last Ten Years\***  
**September 30, 2023**

	Measurement Year Ended December 31,			
	2022	2021	2020	2019
Total Pension Liability/(Asset)				
Service cost	\$ 382,901	\$ 340,091	\$ 285,686	\$ 282,365
Interest on total pension liability (1)	400,678	343,338	288,440	248,491
Effect of plan changes				
Effect of assumption changes or inputs		13,191	284,904	
Effect of economic/demographic (gains)/losses	111,652	65,836	79,537	(4,163)
Benefit payments/refunds of contributions	(61,064)	(40,914)	(31,899)	(41,547)
Net change in total pension liability/asset	834,167	721,542	906,668	485,146
Total pension liability/asset, beginning	4,919,144	4,197,602	3,290,934	2,805,788
Total pension liability/asset, ending	5,753,311	4,919,144	4,197,602	3,290,934
Fiduciary Net Position				
Employer contributions	393,301	300,736	206,531	205,280
Member contributions	212,978	184,166	172,314	171,270
Investment income of net investment expenses	(353,730)	903,802	330,954	402,036
Benefit payments/refunds of contributions	(61,064)	(40,914)	(31,899)	(41,547)
Administrative expenses	(3,229)	(2,835)	(2,841)	(2,436)
Other	81,142	13,648	10,583	11,915
Net change in fiduciary net position	269,398	1,358,603	685,642	746,518
Fiduciary net position, beginning	5,240,991	3,882,388	3,196,746	2,450,228
Fiduciary net position, ending	5,510,389	5,240,991	3,882,388	3,196,746
Net pension liability/(asset), ending	\$ 242,922	\$ (321,847)	\$ 315,214	\$ 94,188
(1) Reflects change in the liability due to the time value of money.				
Fiduciary net position as a % of total pension liability	95.78%	106.54%	92.49%	97.14%
Pensionable covered payroll	\$ 3,042,545	\$ 2,630,946	\$ 2,461,631	\$ 2,446,720
Net pension liability as a % of covered payroll	7.98%	-12.23%	12.81%	3.85%

\*The District implemented GASB 68 in fiscal year 2015 (measurement date December 31, 2014). Accordingly, information prior to fiscal year 2015 is not available. Over time, this schedule will report ten years of data.

Measurement Year Ended December 31,				
2018	2017	2016	2015	2014
\$ 265,975	\$ 241,665	\$ 228,010	\$ 135,509	\$ 135,210
205,506	163,477	126,328	97,030	74,331
			190,648	
	6,358		10,864	
67,261	89,522	(20,324)	(1,745)	(10,606)
(8,021)	(4,953)	(5,573)	(28,300)	(7,381)
530,721	496,069	328,441	404,006	191,554
2,275,067	1,778,998	1,450,557	1,046,551	854,997
2,805,788	2,275,067	1,778,998	1,450,557	1,046,551
193,055	182,941	286,797	63,563	123,115
161,071	152,633	140,794	117,347	115,981
(35,842)	233,630	78,266	(15,742)	43,865
(8,021)	(4,953)	(5,573)	(28,301)	(7,381)
(1,968)	(1,417)	(851)	(711)	(596)
10,525	4,417	27,088	(304)	4,252
318,820	567,251	526,521	135,852	279,236
2,131,408	1,564,157	1,037,636	901,784	622,548
2,450,228	2,131,408	1,564,157	1,037,636	901,784
\$ 355,560	\$ 143,659	\$ 214,841	\$ 412,921	\$ 144,767
87.33%	93.69%	87.92%	71.53%	86.17%
\$ 2,301,010	\$ 2,180,477	\$ 2,011,340	\$ 1,955,786	\$ 1,933,018
15.45%	6.59%	10.68%	21.11%	7.49%

**Fort Bend County Water Control and Improvement District No. 2**  
**Schedule of Changes in Total OPEB Liability and Related Ratios - Group Term Life - Last Ten Years\***  
**September 30, 2023**

	Measurement Year Ended December 31,			
	2022	2021	2020	2019
Total OPEB Liability				
Service Cost	\$ 7,318	\$ 6,429	\$ 5,467	\$ 4,994
Interest on total OPEB liability <sup>(1)</sup>	1,215	1,214	1,296	1,390
Effect of assumption changes or inputs	(13,294)	1,970	4,883	7,981
Effect of economic/demographic (gains)	(1,475)	(8,058)	(2,256)	(1,195)
Benefit payments/refunds of contributions	(913)	(526)	(246)	(245)
Net change in total OPEB liability	(7,149)	1,029	9,144	12,925
Total OPEB liability, beginning	52,120	51,091	41,947	29,022
Total OPEB liability, ending	<u>\$ 44,971</u>	<u>\$ 52,120</u>	<u>\$ 51,091</u>	<u>\$ 41,947</u>

(1) Reflects change in the liability due to the time value of money.

Pensionable covered payroll	\$ 3,042,545	\$ 2,630,946	\$ 2,461,631	\$ 2,446,720
Net OPEB liability as a % of covered payroll	1.48%	1.98%	2.08%	1.71%

\*The District implemented GASB 75 in fiscal year 2018 (measurement date December 31, 2017). Accordingly, information prior to fiscal year 2018 is not available. Over time, this schedule will report ten years of data.



December 31,	
2018	2017
\$ 5,598	\$ 5,048
1,190	1,176
(3,138)	815
(3,494)	(3,903)
(230)	(218)
(74)	2,918
29,096	26,178
<u>\$ 29,022</u>	<u>\$ 29,096</u>

\$ 2,301,010      \$ 2,180,477

1.26%              1.33%

***Fort Bend County Water Control and Improvement District No. 2  
Schedule of Employer Contributions for Pension Plan - Last Ten Years  
For the Year Ended September 30, 2023***

Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2013	\$ 64,550	\$ 158,627	\$ (94,077)	\$ 1,950,157	8.1%
2014	80,027	123,115	(43,088)	1,933,018	6.4%
2015	63,563	63,563	-	1,955,786	3.2%
2016	176,797	286,797	(110,000)	2,011,340	14.3%
2017	164,844	182,941	(18,097)	2,180,477	8.4%
2018	176,718	193,055	(16,337)	2,301,010	8.4%
2019	187,419	205,280	(17,861)	2,446,720	8.4%
2020	193,238	206,531	(13,293)	2,461,631	8.4%
2021	200,478	300,736	(100,258)	2,630,946	11.4%
2022	293,301	393,301	(100,000)	3,042,545	12.9%

**Fort Bend County Water Control and Improvement District No. 2**  
**Notes to Required Supplementary Information**  
**September 30, 2023**

**Note A - Budgets and Budgetary Accounting**

Annual unappropriated budgets are adopted for the General Fund and Special Revenue Fund by the District's Board of Directors. The budgets are prepared using the same method of accounting as for financial reporting. The budgets were amended during the year to reflect changes in anticipated expenditures.

**Note B - Employer Contributions to Pension Plan**

**Valuation Date**

Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

**Actuarial Methods and Assumptions**

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	18.7 years (based on contribution rate calculated in 12/31/2022 valuation)
Asset valuation method	Five year smoothed market
Inflation	2.50%
Salary increases	Varies by age and service. 4.7% average over career including inflation
Investment rate of return	7.50%, net of administrative and investment expenses, including inflation
Retirement age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2015: New inflation, mortality and other assumptions reflected 2017: New mortality assumptions were reflected 2019: New inflation, mortality and other assumptions were reflected 2022: New investment return and inflation assumptions were reflected.

**Fort Bend County Water Control and Improvement District No. 2**  
**Notes to Required Supplementary Information**  
**September 30, 2023**

**Note B - Employer Contributions to Pension Plan (continued)**

**Actuarial Methods and Assumptions (continued)**

Changes in Plan Provisions Reflected in the Schedule	<p>2015: No changes in plan provisions were reflected in the schedule</p> <p>2016: Employer contributions reflect that the member contribution rate was increased to 7% and the current service matching rate was increased to 200% for future benefits.</p> <p>2017: New Annuity Purchase Rates were reflected for benefits earned after 2017.</p> <p>2018: No changes in plan provisions were reflected in the Schedule.</p> <p>2019: No changes in plan provisions were reflected in the Schedule.</p> <p>2020: No changes in plan provisions were reflected in the Schedule.</p> <p>2021: No changes in plan provisions were reflected in the Schedule.</p> <p>2022: No changes in plan provisions were reflected in the Schedule.</p>
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**Note C - Employer Contributions to Other-Post Employment Benefits**

**Valuation Date**

Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

**Actuarial Methods and Assumptions**

Actuarial cost method	Entry age normal
Amortization method	Straight-line amortization over expected working life
Discount rate	3.72% (based on the 20 year Bond GO Index published by bondbuyer.com as of 12/30/22)
Disability	Custom table based on TCDRS experience
Mortality	120% of the Pub-2010 General Employees Amount -Weighted Mortality Table for males and 120% of the Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Retirement age	Custom table based on TCDRS experience
Other Termination of Employment	Custom table based on TCDRS experience

## **Texas Supplementary Information**

**Fort Bend County Water Control and Improvement District No. 2**  
**TSI-1. Services and Rates**  
**September 30, 2023**

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

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

2. Retail Service Providers

a. Retail Rates for a 3/4" meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels
Water:	\$ 12.65	0-6,000	N	\$ 2.20	6,001 to 10,000
				\$ 3.30	10,001 to no limit
Wastewater:	\$ 18.71	N/A	Y	N/A	N/A to N/A
Surface Water:	N/A	N/A	N	\$ 2.25	0 to no limit

District employs winter averaging for wastewater usage?  Yes  No

Total charges per 10,000 gallons usage: Water \$ 43.95 Wastewater \$ 18.71

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	6,760	6,550	x 1.0	6,550
1"	485	485	x 2.5	1,213
1.5"	92	92	x 5.0	460
2"	612	612	x 8.0	4,896
3"	70	70	x 15.0	1,050
4"	22	22	x 25.0	550
6"	17	17	x 50.0	850
8"	36	36	x 80.0	2,880
10"	12	12	x 115.0	1,380
Total Water	8,106	7,896		19,829
Total Wastewater	7,249	7,363	x 1.0	7,363

See accompanying auditor's report.

**Fort Bend County Water Control and Improvement District No. 2**  
**TSI-1. Services and Rates**  
**September 30, 2023**

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

Gallons pumped into system:	<u>2,563,358,000</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>2,189,991,000</u>	(Gallons billed & sold / Gallons pumped)
Gallons sold to HC MUD 122:	<u>39,870,000</u>	<u>86.99%</u>

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

Does the District have Debt Service standby fees? Yes  No

If yes, Date of the most recent commission Order: \_\_\_\_\_

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

If yes, Date of the most recent commission Order: \_\_\_\_\_

5. Location of District:

Is the District located entirely within one county? Yes  No

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

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

City(ies) in which the District is located: Stafford, Missouri City, Sugar Land, Houston

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

Entirely  Partly  Not at all

ETJs in which the District is located: Stafford, Missouri City, Houston

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

If Yes, by whom? \_\_\_\_\_

See accompanying auditor's report.

***Fort Bend County Water Control and Improvement District No. 2  
TSI-2 General Fund Expenditures  
For the Year Ended September 30, 2023***

Personnel (including benefits)*	<u>\$ 4,087,193</u>
Professional fees	
Legal	92,024
Audit	51,860
Engineering	323,530
	<u>467,414</u>
Fifth Street fees	<u>42,712</u>
Utilities	<u>1,152,461</u>
Repairs and maintenance	<u>3,307,742</u>
Surface water fees	<u>3,294,534</u>
Administrative	
Directors fees	17,517
Insurance	194,123
Other	406,146
	<u>617,786</u>
Tap connection and inspection	<u>431,853</u>
Other	<u>435,034</u>
Defined Area public improvements	<u>1,612,473</u>
Capital outlay	<u>1,169,484</u>
Total expenditures	<u><u>\$ 16,618,686</u></u>

\*Number of persons employed by the District:           45 Full-time   0 Part-time

See accompanying auditor's report.



*Fort Bend County Water Control and Improvement District No. 2*  
*TSI-3. Investments*  
*September 30, 2023*

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>
General			
Cash Accounts Trust	Variable	Demand	\$ 1,054
Cash Accounts Trust	Variable	Demand	18,080,404
			<u>18,081,458</u>
Debt Service			
Cash Accounts Trust	Variable	Demand	<u>13,855,059</u>
Special Revenue			
Cash Accounts Trust	Variable	Demand	<u>5,978,363</u>
Total - All Funds			<u><u>\$ 37,914,880</u></u>

See accompanying auditor's report.

**Fort Bend County Water Control and Improvement District No. 2**  
**TSI-4. Taxes Levied and Receivable**  
**September 30, 2023**

	Debt Service Taxes		Defined Area Tax					
Taxes Receivable, Beginning of Year	\$	258,747	\$	-				
Adjustments		(51,827)						
Adjusted Receivable		206,920						
2022 Original Tax Levy		12,404,612		1,567,879				
Adjustments		133,220		45,891				
Adjusted Tax Levy		12,537,832		1,613,770				
Rendition Penalties		30,122		414				
Total to be accounted for		12,774,874		1,614,184				
Tax collections:								
Current year		12,426,528		1,612,473				
Prior years		(6,281)						
Total Collections		12,420,247		1,612,473				
Taxes Receivable, End of Year	\$	354,627	\$	1,711				
Taxes Receivable, By Years								
2022	\$	141,426	\$	1,711				
2021		47,130						
2020		35,898						
2019 and prior		130,173						
Taxes Receivable, End of Year	\$	354,627	\$	1,711				
		2022	2021	2020	2019			
<b>Debt Service:</b>								
Property Valuations:								
Land	\$	858,454,216	\$	662,160,104	\$	643,903,733	\$	624,664,857
Improvements		4,205,109,069		3,386,379,847		3,018,548,482		2,728,396,248
Personal Property		1,996,441,861		1,609,351,348		1,630,037,160		1,384,119,722
Exemptions		(1,159,838,386)		(817,877,980)		(772,821,945)		(732,228,279)
Total Property Valuations	\$	5,900,166,760	\$	4,840,013,319	\$	4,519,667,430	\$	4,004,952,548
Tax Rates per \$100 Valuation:								
Debt service tax rates	\$	0.2125	\$	0.2125	\$	0.2125	\$	0.2125
Adjusted Tax Levy:	\$	12,537,854	\$	10,285,028	\$	9,604,293	\$	8,510,524
Percentage of Taxes Collected to Taxes Levied **		98.87%		99.54%		99.63%		99.67%
<b>Defined Area:</b>								
Property Valuation	\$	313,353,264	\$	216,007,199	\$	172,080,123	\$	114,464,516
Tax Rate per \$100 Valuation:	\$	0.515	\$	0.515	\$	0.515	\$	0.515
Adjusted Tax Levy:	\$	1,613,770	\$	1,112,437	\$	886,213	\$	589,492
Percentage of Taxes Collected		99.89%		100%		100%		100%

\* Maximum Maintenance Tax Rate Approved by Voters:  N/A  on  N/A

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

See accompanying auditor's report.

*Fort Bend County Water Control and Improvement District No. 2  
 TSI-5. Long-Term Debt Service Requirements  
 Series 2012--by Years  
 September 30, 2023*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2024	\$ -	\$ 78,788	\$ 78,788
2025		78,788	78,788
2026		78,788	78,788
2027	280,000	78,788	358,788
2028	260,000	67,588	327,588
2029	295,000	59,788	354,788
2030	280,000	50,200	330,200
2031	325,000	41,100	366,100
2032	320,000	30,131	350,131
2033	370,000	18,931	388,931
2034	165,000	5,981	170,981
	<u>\$ 2,295,000</u>	<u>\$ 588,871</u>	<u>\$ 2,883,871</u>

See accompanying auditor's report.

*Fort Bend County Water Control and Improvement District No. 2*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2012A--by Years*  
*September 30, 2023*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2024	\$ 175,000	\$ 236,925	\$ 411,925
2025	195,000	232,550	427,550
2026	220,000	227,431	447,431
2027	690,000	220,831	910,831
2028	715,000	200,131	915,131
2029	740,000	178,682	918,682
2030	765,000	156,482	921,482
2031	790,000	133,531	923,531
2032	820,000	109,831	929,831
2033	845,000	84,207	929,207
2034	875,000	57,800	932,800
2035	870,000	29,362	899,362
	<u>\$ 7,700,000</u>	<u>\$ 1,867,763</u>	<u>\$ 9,567,763</u>

See accompanying auditor's report.

*Fort Bend County Water Control and Improvement District No. 2*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2015--by Years*  
*September 30, 2023*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2024	\$ 560,000	\$ 485,375	\$ 1,045,375
2025	585,000	468,575	1,053,575
2026	615,000	451,025	1,066,025
2027	640,000	432,575	1,072,575
2028	670,000	413,375	1,083,375
2029	700,000	393,275	1,093,275
2030	730,000	371,400	1,101,400
2031	765,000	347,675	1,112,675
2032	800,000	321,856	1,121,856
2033	835,000	293,856	1,128,856
2034	870,000	264,631	1,134,631
2035	910,000	234,181	1,144,181
2036	955,000	202,331	1,157,331
2037	995,000	167,713	1,162,713
2038	1,040,000	130,400	1,170,400
2039	1,085,000	88,800	1,173,800
2040	1,135,000	45,400	1,180,400
	<u>\$ 13,890,000</u>	<u>\$ 5,112,443</u>	<u>\$ 19,002,443</u>

See accompanying auditor's report.

*Fort Bend County Water Control and Improvement District No. 2*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2016 Refunding--by Years*  
*September 30, 2023*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2024	\$ 1,820,000	\$ 633,400	\$ 2,453,400
2025	1,880,000	560,600	2,440,600
2026	1,940,000	485,400	2,425,400
2027	1,275,000	407,800	1,682,800
2028	1,360,000	356,800	1,716,800
2029	1,390,000	302,400	1,692,400
2030	1,470,000	246,800	1,716,800
2031	1,505,000	188,000	1,693,000
2032	1,585,000	127,800	1,712,800
2033	1,610,000	64,400	1,674,400
	<u>\$ 15,835,000</u>	<u>\$ 3,373,400</u>	<u>\$ 19,208,400</u>

See accompanying auditor's report.

*Fort Bend County Water Control and Improvement District No. 2*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2019--by Years*  
*September 30, 2023*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2024	\$ 255,000	\$ 1,458,275	\$ 1,713,275
2025	250,000	1,445,525	1,695,525
2026	240,000	1,433,025	1,673,025
2027	240,000	1,421,025	1,661,025
2028	230,000	1,413,825	1,643,825
2029	225,000	1,406,925	1,631,925
2030	220,000	1,400,175	1,620,175
2031	205,000	1,393,575	1,598,575
2032	190,000	1,386,400	1,576,400
2033	185,000	1,379,750	1,564,750
2034	15,000	1,373,275	1,388,275
2035		1,372,750	1,372,750
2036	3,655,000	1,372,750	5,027,750
2037	3,800,000	1,244,825	5,044,825
2038	3,945,000	1,107,075	5,052,075
2039	4,095,000	964,069	5,059,069
2040	4,255,000	815,625	5,070,625
2041	5,605,000	656,063	6,261,063
2042	5,830,000	445,875	6,275,875
2043	6,060,000	227,250	6,287,250
	<u>\$ 39,500,000</u>	<u>\$ 23,718,057</u>	<u>\$ 63,218,057</u>

See accompanying auditor's report.

*Fort Bend County Water Control and Improvement District No. 2*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2021--by Years*  
*September 30, 2023*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2024	\$ 100,000	\$ 403,489	\$ 503,489
2025	100,000	401,489	501,489
2026	100,000	399,489	499,489
2027	100,000	397,489	497,489
2028	100,000	395,489	495,489
2029	100,000	394,488	494,488
2030	100,000	393,488	493,488
2031	100,000	392,113	492,113
2032	100,000	390,613	490,613
2033	100,000	388,613	488,613
2034	100,000	386,613	486,613
2035	100,000	384,617	484,617
2036	100,000	382,613	482,613
2037	100,000	380,613	480,613
2038	100,000	378,364	478,364
2039	100,000	376,114	476,114
2040	100,000	373,864	473,864
2041	100,000	371,614	471,614
2042	100,000	369,364	469,364
2043	100,000	367,114	467,114
2044	5,150,000	364,864	5,514,864
2045	5,265,000	248,989	5,513,989
2046	5,385,000	127,894	5,512,894
	<u>\$ 17,800,000</u>	<u>\$ 8,469,397</u>	<u>\$ 26,269,397</u>

See accompanying auditor's report.



*Fort Bend County Water Control and Improvement District No. 2*  
*TSI-5. Long-Term Debt Service Requirements*  
*All Bonded Debt Series--by Years*  
*September 30, 2023*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2024	\$ 2,910,000	\$ 3,296,252	\$ 6,206,252
2025	3,010,000	3,187,527	6,197,527
2026	3,115,000	3,075,158	6,190,158
2027	3,225,000	2,958,508	6,183,508
2028	3,335,000	2,847,208	6,182,208
2029	3,450,000	2,735,558	6,185,558
2030	3,565,000	2,618,545	6,183,545
2031	3,690,000	2,495,994	6,185,994
2032	3,815,000	2,366,631	6,181,631
2033	3,945,000	2,229,757	6,174,757
2034	2,025,000	2,088,300	4,113,300
2035	1,880,000	2,020,910	3,900,910
2036	4,710,000	1,957,694	6,667,694
2037	4,895,000	1,793,151	6,688,151
2038	5,085,000	1,615,839	6,700,839
2039	5,280,000	1,428,983	6,708,983
2040	5,490,000	1,234,889	6,724,889
2041	5,705,000	1,027,677	6,732,677
2042	5,930,000	815,239	6,745,239
2043	6,160,000	594,364	6,754,364
2044	5,150,000	364,864	5,514,864
2045	5,265,000	248,989	5,513,989
2046	5,385,000	127,894	5,512,894
	<u>\$ 97,020,000</u>	<u>\$ 43,129,931</u>	<u>\$ 140,149,931</u>

See accompanying auditor's report.

**Fort Bend County Water Control and Improvement District No. 2**  
**TSI-6. Change in Long-Term Bonded Debt**  
**September 30, 2023**

	Bond Issue			
	Series 2012	Series 2012A	Series 2013 Refunding	Series 2015
Interest rate	3.00% - 4.00%	2.50% - 3.375%	2.00% - 3.00%	3.00% - 4.00%
Dates interest payable	3/1; 9/1	3/1; 9/1	3/1; 9/1	3/1; 9/1
Maturity dates	9/1/27 - 9/1/35	9/1/24 - 9/1/35	9/1/13 - 9/1/23	9/1/16 - 9/1/40
Beginning bonds outstanding	\$ 5,585,000	\$ 7,700,000	\$ 865,000	\$ 14,430,000
Bonds defeased	(3,290,000)			
Bonds retired			(865,000)	(540,000)
Ending bonds outstanding	<u>\$ 2,295,000</u>	<u>\$ 7,700,000</u>	<u>\$ -</u>	<u>\$ 13,890,000</u>
Interest paid during fiscal year	<u>\$ 109,323</u>	<u>\$ 236,925</u>	<u>\$ 25,950</u>	<u>\$ 496,175</u>
Paying agent's name and city	Wells Fargo Bank, N.A. - Houston, Texas			
Series 2008, 2010R and 2010A	The Bank of New York Mellon Trust Company, N.A.			
All other series	The Bank of New York Mellon Trust Company, N.A.			
Bond Authority:	Water, Sewer and Refunding Bonds	Water and Sewer Bonds	Refunding Bonds	
Amount Authorized by Voters	\$ 189,985,000	\$ 150,000,000	\$ 25,000,000	
Amount Issued	(177,730,000)			
Remaining To Be Issued	<u>\$ 12,255,000</u>	<u>\$ 150,000,000</u>	<u>\$ 25,000,000</u>	

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

Debt Service Fund cash and investment balances as of September 30, 2023: \$ 13,893,290

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 6,093,475

See accompanying auditor's report.

Bond Issue			
Series 2016 Refunding	Series 2019	Series 2021	Totals
2.00% - 4.00%	3.00% - 5.00%	1.00% - 2.375%	
3/1; 9/1	3/1; 9/1	3/1; 9/1	
9/1/16 - 9/1/33	9/1/24 - 9/1/43	9/1/22 - 9/1/46	
\$ 17,580,000	\$ 39,500,000	\$ 17,900,000	\$ 103,560,000
			(3,290,000)
(1,745,000)		(100,000)	(3,250,000)
\$ 15,835,000	\$ 39,500,000	\$ 17,800,000	\$ 97,020,000
\$ 703,200	\$ 1,458,275	\$ 405,489	\$ 3,435,337

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

	Amounts				
	2023	2022	2021	2020	2019
Revenues					
Water service	\$ 7,440,488	\$ 6,034,996	\$ 5,534,229	\$ 5,542,231	\$ 5,287,694
Sewer service	5,496,909	4,523,930	4,458,306	4,344,628	4,365,515
Fifth Street maintenance	45,279	40,548	42,067		
Defined Area property taxes	1,612,473	1,112,610	886,541	593,228	357,369
Penalties and interest	177,800	139,644	135,289	58,546	133,880
Tap connection and inspection	1,115,843	650,745	777,988	946,724	1,290,287
Groundwater reduction fee	2,501,160	2,058,144	1,946,618	1,902,392	1,843,482
Miscellaneous	201,614	196,404	184,525	178,810	352,019
Investment earnings	703,988	94,138	3,108	164,943	429,073
<b>Total Revenues</b>	<b>19,295,554</b>	<b>14,851,159</b>	<b>13,968,671</b>	<b>13,731,502</b>	<b>14,059,319</b>
Expenditures					
Current service operations					
Personnel	4,087,193	3,693,397	3,206,479	3,080,871	3,050,593
Professional fees	467,414	429,676	494,834	439,946	316,577
Fifth Street fees	42,712	21,111	21,120		
Utilities	1,152,461	760,173	721,217	709,065	661,932
Repairs and maintenance	3,307,742	2,832,172	2,479,099	2,558,469	2,944,734
Surface water fees	3,294,534	2,695,501	2,555,251	2,661,964	2,441,184
Administrative	617,786	570,417	529,514	454,756	461,673
Tap connection and inspection	431,853	204,437	271,549	426,742	587,122
Other	435,034	501,191	324,434	333,791	319,415
Defined Area public improvements	1,612,473	1,112,610	886,541	593,228	357,369
Capital outlay	1,169,484	958,935	8,295,196	4,767,336	937,697
<b>Total Expenditures</b>	<b>16,618,686</b>	<b>13,779,620</b>	<b>19,785,234</b>	<b>16,026,168</b>	<b>12,078,296</b>
<b>Revenues Over/(Under) Expenditures</b>	<b>\$ 2,676,868</b>	<b>\$ 1,071,539</b>	<b>\$ (5,816,563)</b>	<b>\$ (2,294,666)</b>	<b>\$ 1,981,023</b>

\*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues

2023	2022	2021	2020	2019
39%	41%	40%	41%	37%
29%	31%	32%	32%	31%
*	*	*		
8%	7%	6%	4%	3%
1%	1%	1%	*	1%
6%	4%	6%	7%	9%
13%	14%	14%	14%	13%
1%	1%	1%	1%	3%
4%	1%	*	1%	3%
101%	100%	100%	100%	100%
21%	25%	23%	22%	22%
2%	3%	4%	3%	2%
*	*	*		
6%	5%	5%	5%	5%
17%	19%	18%	19%	21%
17%	18%	18%	19%	17%
3%	4%	4%	3%	3%
2%	1%	2%	3%	4%
2%	3%	2%	2%	2%
8%	7%	6%	4%	3%
6%	6%	59%	35%	7%
84%	91%	141%	115%	86%
17%	9%	(41%)	(15%)	14%

**Fort Bend County Water Control and Improvement District No. 2**  
**TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund**  
**For the Last Five Fiscal Years**

	Amounts				
	2023	2022	2021	2020	2019
Revenues					
Property taxes	\$ 12,420,247	\$ 10,334,086	\$ 9,612,547	\$ 8,450,662	\$ 7,986,557
Penalties and interest	82,391	69,702	57,596	39,714	49,569
Miscellaneous	14,216	229,347	50,373	51,760	42,889
Investment earnings	675,105	91,132	1,362	62,631	218,337
Total Revenues	<u>13,191,959</u>	<u>10,724,267</u>	<u>9,721,878</u>	<u>8,604,767</u>	<u>8,297,352</u>
Expenditures					
Tax collection services	103,243	91,102	74,449	62,651	64,894
Debt service					
Principal	3,250,000	3,315,000	3,090,000	3,680,000	3,585,000
Cash defeasance	3,290,000	1,115,000	1,470,000	1,730,000	
Interest and fees	3,439,087	3,600,706	3,392,573	3,631,628	3,052,040
Total Expenditures	<u>10,082,330</u>	<u>8,121,808</u>	<u>8,027,022</u>	<u>9,104,279</u>	<u>6,701,934</u>
Revenues Over/(Under) Expenditures	<u>\$ 3,109,629</u>	<u>\$ 2,602,459</u>	<u>\$ 1,694,856</u>	<u>\$ (499,512)</u>	<u>\$ 1,595,418</u>
Total Active Retail Water Connections	<u>7,896</u>	<u>7,872</u>	<u>7,856</u>	<u>7,764</u>	<u>7,852</u>
Total Active Retail Wastewater Connections	<u>7,363</u>	<u>7,358</u>	<u>7,358</u>	<u>7,284</u>	<u>7,389</u>

\*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues

2023	2022	2021	2020	2019
94%	96%	98%	98%	95%
1%	1%	1%	*	1%
*	2%	1%	1%	1%
5%	1%	*	1%	3%
100%	100%	100%	100%	100%
1%	1%	1%	1%	1%
25%	31%	32%	43%	43%
25%	10%	15%	20%	
26%	34%	35%	42%	37%
77%	76%	83%	106%	81%
23%	24%	17%	(6%)	19%

**Fort Bend County Water Control and Improvement District No. 2**  
**TSI-8. Board Members, Key Personnel and Consultants**  
**For the Year Ended September 30, 2023**

Complete District Mailing Address: 2231 South Main Street, Stafford, Texas 77477  
District Business Telephone Number: 281-499-1031  
Submission Date of the most recent District Registration Form  
(TWC Sections 36.054 and 49.054): May 25, 2022  
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200  
(Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
<b>Board Members:</b>				
John K Rose	05/20 - 05/24	\$ 3,955	\$ -	President
Julius Court	05/20 - 05/24	3,426		Vice President
Linda Walker	05/22 - 05/26	3,134		Secretary
Harvey Koudelka	05/20 - 05/24	3,647		Assistant Secretary
Linda Burks	05/22 - 05/26	3,355		Assistant Secretary
<b>Key Administrative Personnel:</b>				
		Amounts Paid		
Owen Matherne	1993	\$ 153,615		General Manager
Jason Kirby	2012	153,615		District Engineer
<b>Consultants:</b>				
Allen Boone Humphries Robinson LLP <i>General</i>	2003	81,141		Attorney
Fort Bend County Tax Assessor/Collector	2001			Tax Collector
Fort Bend Central Appraisal District	Legislative Action	95,181		Property Valuation
Harris County Appraisal District	Legislative Action	2,547		Property Valuation
McFarland, PLLC	2011			Attorney Condemnation Matters
Quiddity Engineering	1982	902,150		Engineer
McGrath & Co., PLLC	2019	40,000		Auditor
RBC Capital Markets	2003			Financial Advisor

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