

OFFICIAL STATEMENT DATED APRIL 16, 2020

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. SEE "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

THE BONDS HAVE NOT BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

NEW ISSUE-Book-Entry Only

Rating: S&P "AA-"
See "MUNICIPAL BOND RATING" herein.

\$6,910,000

FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 2
(A political subdivision of the State of Texas located within Fort Bend County)
UNLIMITED TAX LEVEE IMPROVEMENT REFUNDING BONDS
SERIES 2020

Dated: May 1, 2020

Due: April 1, as shown below

Principal of the bonds described above (the "Bonds") will be payable at stated maturity or redemption upon presentation of the Bonds at the principal payment office of the paying agent/registrars, initially The Bank of New York Mellon Trust Company, N.A. (the "Paying Agent/Registrar," "Paying Agent" or "Registrar") in Dallas, Texas. Interest on the Bonds will accrue from May 1, 2020 and be payable on October 1, 2020 (five months of interest) and on each April 1 and October 1 thereafter until the earlier of maturity or redemption. Interest will be calculated on the basis of a 360-day year comprised of twelve 30-day months. The Bonds will be issued only in fully registered form in \$5,000 denominations or integral multiples thereof. The Bonds are subject to redemption prior to maturity as shown below.

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the Registered Owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Due (April 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)	Due (April 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)
2021	\$ 25,000	3.00 %	1.39 %	346788 NF5	2026	\$ 860,000	2.00 %	1.68 %	346788 NL2
***	***	***	***	***	2027	885,000 (c)	2.00	1.80	346788 NM0
2023	745,000	3.00	1.41	346788 NH1	2028	910,000 (c)	2.00	1.88	346788 NN8
2024	775,000	4.00	1.46	346788 NJ7	2029	935,000 (c)	2.00	2.00	346788 NP3
2025	815,000	4.00	1.57	346788 NK4	2030	960,000 (c)	2.00	2.07	346788 NQ1

- (a) Initial reoffering yield represents the initial offering yield to the public which has been established by the Underwriter (as herein defined) for offers to the public and which may be subsequently changed by the Underwriter and is the sole responsibility of the Underwriter. The initial reoffering yields indicated above represent the lower of the yields resulting when priced at maturity or to the first call date. Accrued interest from May 1, 2020, is to be added to the price.
- (b) CUSIP Numbers have been assigned to the Bonds by CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (c) Bonds maturing on and after April 1, 2027, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on April 1, 2026, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. See "THE BONDS—Redemption Provisions."

The Bonds, when issued, will constitute valid and legally binding obligations of Fort Bend County Levee Improvement District No. 2 (the "District") and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Fort Bend County, the City of Sugar Land, or any entity other than the District. The Bonds are subject to special investment risks described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered by the Underwriter subject to prior sale, when, as and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Bond Counsel. Certain legal matters will be passed on for the Underwriter by McCall, Parkhurst & Horton L.L.P. Houston, Texas, as Underwriter's Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about May 21, 2020.

SAMCO CAPITAL

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas, 77027 upon payment of the costs of duplication therefor.

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

OFFICIAL STATEMENT SUMMARY

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

THE FINANCING

- The Issuer* Fort Bend County Levee Improvement District No. 2 (the “District”), a political subdivision of the State of Texas. See “THE DISTRICT.”
- The Issue* \$6,910,000 Unlimited Tax Levee Improvement Refunding Bonds, Series 2020 (the “Bonds”) are issued pursuant to a resolution (the “Bond Resolution”) of the District’s Board of Directors authorizing the issuance of the Bonds. The Bonds will be issued as fully registered bonds maturing serially in each of the years and in the principal amounts and paying interest at the rates shown on the cover hereof. Interest on the Bonds accrues from May 1, 2020 and is payable on October 1, 2020 (five months of interest), and on each April 1 and October 1 thereafter until the earlier of maturity or prior redemption. See “THE BONDS.”
- The Bonds maturing on and after April 1, 2027, are subject to redemption, in whole or from time to time in part, at the option of the District, prior to their maturity dates, on April 1, 2026, or on any date thereafter. Upon redemption, the Bonds will be payable at a price of par plus accrued interest to the date of redemption. See “THE BONDS.”
- Source of Payment* The Bonds are payable from an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See “TAX PROCEDURES.” The Bonds are obligations of the District and are not obligations of the State of Texas, Fort Bend County, the City of Sugar Land, or any other political subdivision or agency other than the District. See “THE BONDS—Source of and Security for Payment.”
- Authority for Issuance* The Bonds constitute the thirteenth series of unlimited tax levee improvement bonds issued by the District from \$189,720,000 of unlimited tax levee improvement bonds approved by District voters for the purposes of providing flood plain reclamation, flood protection and outfall drainage necessary for development within the District and for refunding such bonds. Following the issuance of the Bonds, \$74,610,000 of bonds will remain authorized but unissued for the purpose of financing the construction of levee and drainage facilities and for refunding bonds issued for such purposes. The Bonds are authorized by the District pursuant to such election and the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, Chapter 1207 of the Texas Government Code, as amended, and Chapters 49 and 57 of the Texas Water Code, as amended, and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See “THE BONDS—Authority for Issuance.”
- Payment Record* Upon the closing of the District’s \$13,365,000 Unlimited Tax Levee Improvement Bonds, Series 2020A (the “Series 2020A Bonds”) which sold on April 15, 2020 and are scheduled to close on May 21, 2020 the District will have issued twelve series of unlimited tax levee improvement bonds for flood plain reclamation, flood protection and outfall drainage and four series of unlimited tax refunding bonds, of which \$71,375,000 will be outstanding as of May 21, 2020 (the “Outstanding Bonds”). The District has never defaulted in the timely payment of principal and interest on the Outstanding Bonds.
- Use of Proceeds* Proceeds from the sale of the Bonds will be used to currently refund and defease \$6,885,000 of the District’s Outstanding Bonds in order to achieve annual and net present value savings in the District’s annual debt service expense. The Bonds to be refunded and discharged with Bond proceeds are referred to herein as the “Refunded Bonds.” Bond proceeds will also be used to pay certain costs associated with issuance of the Bonds, including the payment of any insurance premium. After the issuance of the Bonds, \$64,490,000 principal amount of the Outstanding Bonds will remain outstanding (the “Remaining Outstanding Bonds”), inclusive of the \$13,365,000 principal amount Unlimited Tax Levee Improvement Bonds, Series 2020A (the “Series 2020A Bonds”), which were sold on April 15, 2020 and are expected to close on May 21, 2020. See “PLAN OF FINANCING—Refunded Bonds” and “—Sources and Uses of Funds.”

<i>Not Qualified Tax-Exempt Obligations</i>	The Bonds are NOT “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended.
<i>Municipal Bond Rating</i>	S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC (“S&P”) has assigned a rating of “AA-” to the Bonds. An explanation of the rating may be obtained from S&P, 55 Water Street, New York, New York 10041. See “MUNICIPAL BOND RATING.”
<i>Future Debt</i>	The District has received approval from the Texas Commission on Environmental Quality (the “TCEQ” or the “Commission”) for the issuance of \$30,000,000 principal amount of unlimited tax levee improvement bonds, the Series 2020A Bonds with a principal amount of \$13,365,000 were sold on April 15, 2020. The District intends to issue the balance of such authorization in late 2020 or early 2021. See “THE BONDS—Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS—Future Debt.”
<i>Bond Counsel</i>	Allen Boone Humphries Robinson LLP, Houston, Texas. See “MANAGEMENT,” “LEGAL MATTERS,” and “TAX MATTERS.”
<i>Underwriter’s Counsel</i>	McCall, Parkhurst & Horton L.L.P, Houston, Texas.
<i>Financial Advisor</i>	Masterson Advisors LLC, Houston, Texas.
<i>District Engineer</i>	LJA Engineering, Inc., Houston, Texas.
<i>Paying Agent/Registrar</i>	The Bank of New York Mellon Trust Company, N. A., Dallas, Texas.

INFECTIOUS DISEASE OUTLOOK (COVID-19)

<i>General</i>	The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the “Pandemic”), which is currently affecting many parts of the world, including the United States and Texas. As described herein under “INVESTMENT CONSIDERATIONS—Infectious Disease Outlook (COVID-19)”, federal, state and local governments have all taken actions to respond to the Pandemic, including disaster declarations by both the President of the United States and the Governor of Texas. Such actions are focused on slowing the spread of COVID-19 by limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.
<i>Impact</i>	Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas.

Such adverse economic conditions, if they continue, 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 Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District’s share of operations and maintenance expenses payable from ad valorem taxes.

The District continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of COVID-19 upon the District. While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District’s operations and financial condition. The financial and operating data contained herein are the latest available, but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not necessarily indicative of the economic impact of the Pandemic on the District’s financial condition.

**WEATHER EVENTS; INCLUDING HURRICANE HARVEY AND
MAY 7, 2019 RAINFALL EVENT**

General The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced 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 26, 2017 and brought historic levels of rainfall during the successive four days. In addition, the District experienced a major rainfall event on May 7, 2019. Based on rainfall data collected within the District, rainfall intensities during this event exceeded 4.5 inches per hour categorizing this event as a 1% probability storm event (i.e. “100-year event”).

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

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

*Future Weather Impacts
On the District*..... If a hurricane, flood, or any other natural disaster significantly damages all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or necessity to increase 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 of time in which assessed values within the District would be adversely affected.

THE DISTRICT

<i>Description</i>	The District was created by order of the Commissioners Court of Fort Bend County, Texas, passed and adopted February 10, 1975. The District is a conservation and reclamation district created pursuant to the provisions of Chapter 57, Texas Water Code and Article XVI, Section 59 of the Texas Constitution. The District operates under Chapters 49 and 57 of the Texas Water Code, as amended. The District encompasses 5,313 acres of land located within the city limits of the City of Sugar Land. The District is in the eastern portion of Fort Bend County, approximately 25 miles from downtown Houston by way of U.S. 59 (the Southwest Freeway). The District is located entirely within the boundaries of the Fort Bend Independent School District. The District also encompasses First Colony Municipal Utility District No. 10. See “THE DISTRICT.”
<i>First Colony</i>	The District is part of the approximately 9,700-acre master planned community known as First Colony, the majority of which is located in and around the City of Sugar Land. Development of First Colony began in 1976 and since its inception it has evolved into a community that provides residential subdivisions comprised of homes with prices ranging from \$200,000 to up to \$6,000,000 along with many commercial and retail establishments. The average home value for tax year 2019 was \$399,904. First Colony currently contains approximately 13,500 occupied households.
<i>Status of Development</i>	As of March 1, 2020, development within the District includes approximately 8,300 single family homes and 841 commercial and retail establishments. Educational facilities within the District include four elementary schools, one middle school, and a high school. Recreational facilities located within the District include Sweetwater Country Club, which includes a clubhouse, 36 holes of golf, multiple tennis courts, and an athletic facility. See “DEVELOPMENT WITHIN THE DISTRICT.”
<i>City of Sugar Land Tax Increment Reinvestment Zone No. 1</i>	<p>On December 1, 1998, the City of Sugar Land (the “City”) approved the creation of the City of Sugar Land Tax Increment Reinvestment Zone No. 1 (“TIRZ No.1”), encompassing approximately 33 acres. TIRZ No.1 is generally located at the southern corner of State Highway 6 and U.S. Highway 59. A portion of the District lies within the boundaries of TIRZ No.1. The purpose of TIRZ No.1 is to facilitate the development of an approximately 33-acre mixed-use downtown area, known as Sugar Land Town Square. The development is a neo-traditional urban-style downtown with a town square, open space, streetscapes and sidewalks providing access to retail stores, offices, and restaurants. A one-acre central plaza with a fountain, capable of accommodating more than 3,000 people, is used for community events including concerts, festivals, and civic celebrations. TIRZ No.1 receives contributions of ad valorem tax revenue from the City, Fort Bend County, and the District on the incremental increase in value within TIRZ No.1 from January 1, 1998 through December 31, 2025.</p> <p>The District has agreed to contribute 100% of its tax increment on its area that lies within TIRZ No.1 to the City for the life of TIRZ No.1 or twenty-six (26) years, whichever occurs sooner. The District’s participation in TIRZ No. 1 has the effect of reducing the tax revenues that are available to the District to finance District facilities during the life of TIRZ No. 1. For tax year 2019, the District’s tax increment equaled \$202,426,740 and will generate \$301,615 in revenues at the District’s current 2019 tax rate of \$0.149 per \$100 of assessed valuation. After the earlier of the dissolution of TIRZ No. 1 or 26 years, the District will collect and retain the tax revenue on all of its land previously located in TIRZ No. 1. See “TAX DATA—City of Sugar Land Tax Increment Reinvestment Zone No. 1” and “INVESTMENT CONSIDERATIONS—Maximum Impact on District Tax Rates.”</p>

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION

2019 Certified Taxable Assessed Valuation.....	\$4,863,998,637	(a)
Gross Direct Debt Outstanding	\$71,400,000	(b)
Estimated Overlapping Debt	<u>289,743,102</u>	(c)
Gross Direct Debt and Estimated Overlapping Debt.....	\$361,143,102	
Ratio of Gross Direct Debt to:		
2019 Certified Taxable Assessed Valuation (d).....	1.47%	(e)
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:		
2019 Certified Taxable Assessed Valuation (d).....	7.42%	(e)
Debt Service Fund Balance (as of March 18, 2020).....	\$5,877,152	
Capital Projects Fund Balance (as of March 18, 2020).....	\$41,323,412	(f)
General Fund Balance (as of March 18, 2020).....	\$5,866,278	
Capital Improvement Fund (as of March 18, 2020)	\$2,151,908	
2019 Tax Rate:		
Debt Service	\$0.093	
Maintenance and Operations.....	<u>0.056</u>	
Total (g).....	\$0.149	
Average percentage of total tax collections (2015-2019)	99.22%	
Average Annual Debt Service Requirement (2020-2050) of the Bonds and the Remaining Outstanding Bonds (“Average Annual Requirement”)	\$3,495,275	(h)
Tax rate required to pay Average Annual Requirement (2020-2050) based upon: 2019 Certified Taxable Assessed Valuation at a 95% collection rate	\$0.076	(d)(i)
Maximum Annual Debt Service Requirement (2021) of the Bonds and the Remaining Outstanding Bonds (“Maximum Annual Requirement”)	\$4,081,494	(h)
Tax rate required to pay Maximum Annual Requirement (2021) based upon: 2019 Certified Taxable Assessed Valuation at a 95% collection rate	\$0.089	(d)(i)
Approximate Number of Single-Family Homes as of March 1, 2020	8,300	
Total Tax Revenue Transferred to the City of Sugar Land from Taxes Levied on Tax Increment Value of \$202,426,740 in Tax Increment Revenue Zone No.1	\$301,615	(j)

- (a) As certified by the Fort Bend Central Appraisal District (the “Appraisal District”). This value excludes the abated value for tax year 2019 of \$202,426,740, which has been subtracted from the 2019 Certified Taxable Assessed Valuation of \$5,066,425,377. See “TAX DATA—City of Sugar Land Tax Increment Reinvestment Zone No. 1” and “TAX PROCEDURES.”
- (b) After the issuance of the Bonds; excludes the Refunded Bonds and includes the \$13,365,000 Series 2020A Bonds which sold on April 15, 2020 and are expected to close on May 21, 2020. See “DISTRICT DEBT—Outstanding Bonds.”
- (c) See “DISTRICT DEBT—Estimated Overlapping Debt Statement.”
- (d) The 2019 Certified Taxable Assessed Valuation of \$4,863,998,637 excludes \$202,426,740 of abated value for tax year 2019.
- (e) The District sold its \$13,365,000 Series 2020A Bonds on April 15, 2020, which are expected to close on May 21, 2020. See “THE BONDS—Authority for Issuance” and “INVESTMENT CONSIDERATIONS—Future Debt.”
- (f) All funds are committed to the construction of the District’s third pump station, which is currently under construction and anticipated to be completed in spring 2021. See “THE SYSTEM—New Storm Water Pump Station.”
- (g) In addition to the District’s tax rate, property owners are subject to additional property taxes of other overlapping jurisdictions, including but not limited to the City of Sugar Land, Fort Bend County, Fort Bend ISD, and Fort Bend County Drainage District. See “TAX DATA—City of Sugar Land Tax Increment Reinvestment Zone No. 1” and “TAX DATA—Estimated Overlapping Taxes.”
- (h) See “DISTRICT DEBT—Debt Service Requirement Schedule.”
- (i) See “TAX DATA—Tax Rate Calculations.”
- (j) The District has agreed to contribute 100% of its tax revenue on incremental value that lies within TIRZ No. 1 to the City of Sugar Land for the life of TIRZ No. 1 or twenty-six (26) years, whichever occurs sooner. “TAX DATA—City of Sugar Land Tax Increment Reinvestment Zone No. 1”

OFFICIAL STATEMENT

\$6,910,000

FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 2
(A political subdivision of the State of Texas located within Fort Bend County)

UNLIMITED TAX LEVEE IMPROVEMENT REFUNDING BONDS
SERIES 2020

This Official Statement provides certain information in connection with the issuance by Fort Bend County Levee Improvement District No. 2 (the "District") of its \$6,910,000 Unlimited Tax Levee Improvement Refunding Bonds, Series 2020 (the "Bonds").

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 57 of the Texas Water Code, as amended, Chapter 1207 of the Texas Government Code, as amended, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas, an election held within the District and a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board").

This Official Statement includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from the District upon payment of the costs of duplication therefor.

PLAN OF FINANCING

Purpose

The proceeds of the Bonds will be used to currently refund and defease an outstanding portion (\$6,885,000) of the District's original issue of \$15,000,000 Unlimited Tax Levee Improvement Bonds, Series 2012 in order to achieve a reduction in the District's annual debt service expense. Such refunded portion reflected below is referred to as the "Refunded Bonds." See "Refunded Bonds" below. A total of \$64,490,000 in principal amount of the District's Outstanding Bonds will remain outstanding after the issuance of the Bonds (the "Remaining Outstanding Bonds"), inclusive of the Series 2020A Bonds, which were sold on April 15, 2020 and are expected to close on May 21, 2020. See and "Sources and Uses of Funds" below, "DIRECT DEBT—Debt Service Requirement Schedule" and "—Outstanding Bonds."

Refunded Bonds

Proceeds of the Bonds will be applied to currently refund and defease the Refunded Bonds in the principal amounts and with maturity dates set forth below and to pay certain costs of issuing the Bonds.

Maturity Date	Series
<u>April 1</u>	<u>2012</u>
2023	\$ 745,000
2024	775,000
2025	805,000
2026	840,000
2027	875,000
2028	910,000
2029	950,000
2030	<u>985,000</u>
	\$ 6,885,000

Redemption Date: May 22, 2020

Sources and Uses of Funds

The proceeds derived from the sale of the Bonds, exclusive of accrued interest, will be applied as follows:

Sources of Funds:	
Principal Amount of the Bonds	\$6,910,000.00
Plus: Net Premium on the Bonds	<u>224,506.40</u>
Total Sources of Funds.....	\$7,134,506.40
Uses of Funds:	
Deposit to Payment Account	\$6,916,383.06
Issuance Expenses and Underwriters' Discount	<u>218,123.34</u>
Total Uses of Funds	\$7,134,506.40

Defeasance of the Refunded Bonds

The Refunded Bonds and the interest due thereon, are to be paid on the redemption date from funds to be deposited with The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, as paying agent for the Refunded Bonds. The Bond Resolution provides that from the proceeds of the sale of the Bonds, the District will deposit with the Paying Agent for the Refunded Bonds the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Paying Agent for the Refunded Bonds in a segregated payment account (the "Payment Account"). By the deposit of the cash with the Paying Agent for the Refunded Bonds and the making of irrevocable arrangements for the giving of notice of redemption of the Refunded Bonds, the terms of the prior resolution of the District securing payment of the Refunded Bonds shall have been satisfied and such Refunded Bonds will no longer be considered outstanding except for the payment out of the amounts so deposited in the Payment Account, and the amounts so deposited in the Payment Account will constitute firm banking arrangements under Texas law for the discharge and final payment of the Refunded Bonds.

THE BONDS

Description

The Bonds will be dated and accrue interest from May 1, 2020, with interest payable each October 1 and April 1, beginning October 1, 2020 (the "Interest Payment Date"), and will mature on the dates and in the amounts and accrue interest at the rates shown on the cover page hereof. The Bonds are issued in fully registered form, in denominations of \$5,000 or any integral multiple of \$5,000. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

Authority for Issuance

At bond elections held within the District on January 15, 1977, June 10, 1978, November 6, 2007, November 5, 2013, and May 4, 2019, the voters of the District authorized the issuance of a total of \$189,720,000 principal amount of unlimited tax bonds for the purpose of providing flood plain reclamation, flood protection and outfall drainage necessary for development within the District and for refunding bonds issued for such purposes. The Bonds are being issued pursuant to the authorization from the May 4, 2019 election. 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 herein.

The Bonds are issued by the District pursuant to the terms and provisions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, Chapter 1207 of the Texas Government Code, as amended, and Chapters 49 and 57 of the Texas Water Code, as amended.

Source of and Security for Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants in the Bond Resolution to levy a continuing direct annual ad valorem tax, without legal limit as to rate or amount, upon all taxable property in the District sufficient to pay the principal of and interest on the Bonds, with full allowance being made for delinquencies and costs of collection.

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

Method of Payment of Principal and Interest

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

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

Funds

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

Accrued interest on the Bonds shall be deposited into the Debt Service Fund upon receipt. Any monies remaining after the refunding of the Refunded Bonds and payment of issuance costs will be deposited into the Debt Service Fund.

No Arbitrage

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

Record Date

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

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on and after April 1, 2027, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on April 1, 2026, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities of Bonds to be redeemed shall be selected by the District. If less than all the Bonds of any maturity are redeemed at any time, the particular Bonds within a maturity to be redeemed shall be selected by the Paying Agent/Registrar by lot or other customary method of selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the Register. Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if fewer than all the Bonds outstanding within any one maturity are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been

made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest that would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Registration and Transfer

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

Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding.

Registered Owners of lost, stolen or destroyed bonds will be required to pay the District’s costs to replace such bond. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

Replacement of Paying Agent/Registrar

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

Issuance of Additional Debt

The District may issue additional bonds necessary to provide improvements and facilities consistent with the purposes for which the District was created and for refunding purposes. At bond elections held within the District on January 15, 1977, June 10, 1978, November 6, 2007, November 5, 2013, and May 4, 2019, the voters of the District authorized the issuance of a total of \$189,720,000 principal amount of unlimited tax bonds for the purpose of providing flood plain reclamation, flood protection and outfall drainage necessary for development within the District and for refunding bonds issued for such purposes. Following the issuance of the Bonds, \$74,610,000 unlimited tax levee improvement and refunding bonds will remain authorized but unissued from the May 4, 2019 authorization. The Bond Resolution imposes no limitation on the amount of additional parity bonds and refunding bonds which may be issued by the District (if authorized by the District’s voters and approved by the Board). The District has received approval from the TCEQ for issuance of \$30,000,000 principal amount of unlimited tax levee improvement bonds, of which \$13,365,000 principal amount Unlimited Tax Levee Improvement Bonds, Series 2020A were sold by the District on April 15, 2020 and are expected to close on May 21, 2020. The District intends to issue the balance of such authorization in late 2020 or early 2021. See “INVESTMENT CONSIDERATIONS—Future Debt.”

Financing Recreational Facilities

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

The District is authorized to levy an operation and maintenance tax to support recreational facilities at a rate not to exceed 25 cents per \$100 of assessed valuation of taxable property in the District, after such tax is approved at an election. Said maintenance tax is in addition to any other maintenance tax authorized to be levied by the District. In addition, the District is authorized to issue bonds payable from an ad valorem tax to pay for the development and maintenance of recreational facilities if (i) the District duly adopts a plan for the facilities; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed 1% of the value of the taxable property in the District at the time of issuance of the bonds, or an amount greater than the estimated cost of the plan, whichever amount is smaller; (iv) the District obtains any necessary governmental consents allowing the issuance of such bonds; (v) the issuance of the bonds is approved by the Commission in accordance with its rules with respect to same; and (vi) the bonds are approved by the Attorney General of Texas. The District may issue bonds for such purposes payable solely from net operating revenues without an election.

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

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

Consolidation

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

Remedies in Event of Default

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or defaults in the observance or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages. In the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District. See "INVESTMENT CONSIDERATIONS—Registered Owners' Remedies and Bankruptcy Limitations."

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

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

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

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

BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Direct Participants is on file with DTC.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds, of each series will be issued as fully-registered Bonds 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. With respect to each series of the Bonds, one fully-registered Bond certificate will be issued of each such series for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing

Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a rating of “AA+” from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. 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 a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity 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).

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

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

The District may decide to discontinue use of the 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 neither the District nor the Initial Purchaser take any responsibility for the accuracy thereof.

THE DISTRICT

General

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

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

Description and Location

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

MANAGEMENT

Board of Directors

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

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Bryan K. Chapline	President	April 2022
Sam Galyon	Vice President	September 2023
Rashid Khokhar	Secretary	September 2023
Glen R. Gill	Director	July 2020
Andre D. McDonald	Director	July 2020

General Manager

The District contracts with Mike Stone Associates, Inc. to act as the general manager of the District to oversee the operations and maintenance of the District's facilities.

Tax Assessor/Collector

Land and improvements within the District are appraised for ad valorem taxation purposes by the Fort Bend Central Appraisal District. The District's Tax Assessor/Collector is engaged by the Board of Directors of the District. Bob Leared Interests is currently serving in this capacity for the District.

Bookkeeper

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

Levee Operator

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

Engineer

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

Attorney

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

Financial Advisor

Masterson Advisors LLC (the "Financial Advisor") serves as financial advisor to the District. The fees to be paid the Financial Advisor for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds.

Auditor

The financial statements of the District as of September 30, 2019, and for the year then ended, included in this offering document, have been audited by McGrath & Co., PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the audited financial statements of the District for the year ended September 30, 2019.

THE SYSTEM

General

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

Regulation

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

Flood Protection, Reclamation and Drainage Facilities

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

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

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

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

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

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

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

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

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

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

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

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

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

Ditch "H" - Conveys storm water runoff from the District's internal drainage systems and from areas upstream of the District to the Brazos River. This is the District's main external drainage channel.

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

New Storm Water Pump Station

A majority of the funds in the Capital Projects Fund will be used to finance construction of a third storm water pump station to mitigate flood risks in the District. Such funds will be used to purchase pumps, motors, and generators for the new pump station, to construct the pump station, to construct an administration and operations building for the new pump station, and to armor Ditch "H" to protect its side slopes from storm water discharges from the new pump station. Construction of this pump station has begun and is expected to be completed in spring 2021.

100-Year Flood Plain

“Flood Insurance Rate Map” or “FIRM” means an official map of a community on which FEMA has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The “100-year flood plain” (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is no assurance that homes built in such area will not be flooded and a number of neighborhoods in the Greater Houston Area that are above the 100-year flood plain have flooded multiple times in the past several years.

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

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

Flooding Due to Levee Breach or Overtopping

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

National Flood Insurance Program (“NFIP”)

The current legislation authorizing the NFIP expired on September 30, 2018. Congress has extended the NFIP by successive, short-term continuing funding resolutions, the most current of which was effective on December 20, 2019, which expires on September 30, 2020. Congress is considering a number of different proposals for long-term reauthorization of the NFIP. During prior NFIP reauthorization proceedings, Congress considered several proposals to re-authorize the NFIP that, if enacted, would have required FEMA to expand the special flood hazard areas (“SFHA”) under the NFIP to areas located behind levees, regardless of the accreditation status of the levee. As a result of this designation, areas protected by levees would be subjected to the full application of SFHA requirements under the current NFIP rules, including mandatory flood insurance purchase requirements and floodplain management regulations. The District cannot predict what impact, if any, the application of the mandatory flood insurance purchase requirements and the flood plain management regulations would have on (i) the future development of land and construction of taxable improvements in the District, (ii) the value of land and improvements currently in the District, or (iii) the availability of mortgages to purchase homes within the District. Moreover, the District cannot predict what impact, if any, the expiration of the NFIP would have on (i) the future development of land and construction of taxable improvements in the District, (ii) the value of land and improvements currently in the District, or (iii) the availability of mortgages to purchase homes within the District. The likelihood of further NFIP extension or reauthorization legislation being enacted (and whether any such legislation will contain the SFHA provisions described above or similar thereto or any other potentially adverse provisions) cannot be predicted.

Water Supply and Wastewater Treatment

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

DEVELOPMENT WITHIN THE DISTRICT

First Colony

The District is part of the approximately 9,700-acre master planned community known as First Colony, the majority of which is located in and around the City of Sugar Land. Development of First Colony began in 1976 and since its inception it has evolved into a community that provides residential subdivisions comprised of homes with prices ranging from \$200,000 to up to \$6,000,000 along with many commercial and retail establishments. The average home value for tax year 2019 was \$399,904. First Colony currently contains approximately 13,500 occupied households.

Status of Development Within the District

As of March 1, 2020, development within the District includes approximately 8,300 single-family homes and 841 commercial and retail establishments. Educational facilities within the District include four elementary schools, one middle school, and a high school. Recreational facilities located within the District include Sweetwater Country Club, which includes a 36 holes of golf, multiple tennis courts, swimming pools, and an athletic facility.

Commercial Development

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

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

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

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

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

Health Care Facilities

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

DISTRICT DEBT

Debt Service Requirement Schedule

The following sets forth the debt service requirements for the Outstanding Bonds, including the \$13,365,000 Series 2020A Bonds which are expected to close on May 21, 2020, less the debt service on the Refunded Bonds (\$6,885,000 principal amount), plus the debt service on the Bonds.

Year	Outstanding	Less: Debt	Plus: Debt Service on the Bonds			Total
	Bonds		Service on the	Principal	Interest	
	Debt Service	Refunded Bonds				Debt Service
	Requirements					Requirements
2020	\$ 2,948,285	\$ 110,764		\$ 74,042	\$ 74,042	\$ 2,911,563
2021	4,100,696	221,528	\$ 25,000	177,325	202,325	4,081,494
2022	3,493,759	221,528	-	176,950	176,950	3,449,181
2023	3,472,896	955,353	745,000	165,775	910,775	3,428,319
2024	3,449,346	962,553	775,000	139,100	914,100	3,400,894
2025	3,428,646	968,853	815,000	107,300	922,300	3,382,094
2026	3,686,176	978,758	860,000	82,400	942,400	3,649,819
2027	3,674,288	986,519	885,000	64,950	949,950	3,637,719
2028	3,672,181	992,513	910,000	47,000	957,000	3,636,669
2029	3,662,219	1,001,100	935,000	28,550	963,550	3,624,669
2030	3,659,281	1,002,238	960,000	9,600	969,600	3,626,644
2031	3,652,194	-	-	-	-	3,652,194
2032	3,646,494	-	-	-	-	3,646,494
2033	3,644,169	-	-	-	-	3,644,169
2034	3,644,444	-	-	-	-	3,644,444
2035	3,637,344	-	-	-	-	3,637,344
2036	3,633,119	-	-	-	-	3,633,119
2037	3,626,444	-	-	-	-	3,626,444
2038	3,622,244	-	-	-	-	3,622,244
2039	3,615,944	-	-	-	-	3,615,944
2040	3,607,544	-	-	-	-	3,607,544
2041	3,606,894	-	-	-	-	3,606,894
2042	3,598,919	-	-	-	-	3,598,919
2043	3,593,619	-	-	-	-	3,593,619
2044	3,590,844	-	-	-	-	3,590,844
2045	3,585,519	-	-	-	-	3,585,519
2046	3,577,394	-	-	-	-	3,577,394
2047	3,576,319	-	-	-	-	3,576,319
2048	3,572,394	-	-	-	-	3,572,394
2049	3,565,619	-	-	-	-	3,565,619
2050	927,009	-	-	-	-	927,009
Total	\$108,772,240	\$ 8,401,703	\$ 6,910,000	\$ 1,072,992	\$ 7,982,992	\$ 108,353,529

Average Annual Debt Service Requirements (2020-2050).....\$3,495,275
 Maximum Annual Debt Service Requirements (2021)\$4,081,494

Bonded Indebtedness

2019 Certified Taxable Assessed Valuation.....	\$4,863,998,637	(a)
Gross Direct Debt Outstanding	\$71,400,000	(b)
Estimated Overlapping Debt	289,743,102	(c)
Gross Direct Debt and Estimated Overlapping Debt.....	\$361,143,102	
Ratio of Gross Direct Debt to:		
2019 Certified Taxable Assessed Valuation (d).....	1.47%	(e)
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:		
2019 Certified Taxable Assessed Valuation (d).....	7.42%	(e)
Debt Service Fund Balance (as of March 18, 2020).....	\$5,877,152	
Capital Projects Fund Balance (as of March 18, 2020).....	\$41,323,412	(f)
General Fund Balance (as of March 18, 2020).....	\$5,866,278	
Capital Improvement Fund (as of March 18, 2020).....	\$2,151,908	
2019 Tax Rate:		
Debt Service.....	\$0.093	
Maintenance and Operations.....	0.056	
Total.....	\$0.149	(g)
Total Tax Revenue Transferred to the City of Sugar Land from Taxes Levied on		
Tax Increment Value of \$202,426,740 in Tax Increment Revenue Zone No.1	\$301,615	(h)

- (a) As certified by the Fort Bend Central Appraisal District (the “Appraisal District”). This value excludes the abated value for tax year 2019 of \$202,426,740, which has been subtracted from the 2019 Certified Taxable Assessed Valuation of \$5,066,425,377. See “TAX DATA—City of Sugar Land Tax Increment Reinvestment Zone No. 1” and “TAX PROCEDURES.”
- (b) After the issuance of the Bonds, excludes the Refunded Bonds and includes \$13,365,000 Series 2020A Bonds which sold on April 15, 2020 and are expected to close on May 21, 2020. See “DISTRICT DEBT—Outstanding Bonds.”
- (c) See “DISTRICT DEBT—Estimated Overlapping Debt Statement.”
- (d) The 2019 Certified Taxable Assessed Valuation of \$4,863,998,637 excludes \$202,426,740 of abated value for tax year 2019.
- (e) The District sold its \$13,365,000 Series 2020A Bonds on April 15, 2020, which are expected to close on May 21, 2020. See “THE BONDS—Authority for Issuance” and “INVESTMENT CONSIDERATIONS—Future Debt.”
- (f) All funds are committed to the construction of the District’s third pump station, which is currently under construction and anticipated to be completed in Spring 2021. See “THE SYSTEM—New Storm Water Pump Station.”
- (g) In addition to the District’s tax rate, property owners are subject to additional property taxes of other overlapping jurisdictions, including but not limited to the City of Sugar Land, Fort Bend County, Fort Bend ISD, and Fort Bend County Drainage District. See “TAX DATA—City of Sugar Land Tax Increment Reinvestment Zone No. 1” and “TAX DATA—Estimated Overlapping Taxes.”
- (h) The District has agreed to contribute 100% of its tax revenue on incremental value that lies within TIRZ No. 1 to the City of Sugar Land for the life of TIRZ No. 1 or twenty-six (26) years, whichever occurs sooner. “TAX DATA—City of Sugar Land Tax Increment Reinvestment Zone No. 1”

Outstanding Bonds

The following table lists the original principal amount of Outstanding Bonds, and the current principal balance of the Outstanding Bonds, the Refunded Bonds, and the Remaining Outstanding Bonds.

Series	Original Principal Amount	Principal Currently Outstanding	Refunded Bonds	Remaining Outstanding Bonds
2012	\$ 15,000,000	\$ 10,385,000	\$ 6,885,000	\$ 3,500,000
2019	48,000,000	47,625,000	-	47,625,000
2020A (a)	13,365,000	13,365,000	-	13,365,000
Total	\$ 76,365,000	\$ 71,375,000	\$ 6,885,000	\$ 64,490,000
The Bonds				6,910,000
The Bonds and Remaining Outstanding Bonds				\$ 71,400,000

(a) The District sold its \$13,365,000 Series 2020A Bonds on April 15, 2020 which are expected to close on May 21, 2020.

Estimated Overlapping Debt Statement

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

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Fort Bend County.....	\$ 594,872,527	1/31/2020	7.11%	\$ 42,295,437
Fort Bend ISD.....	1,092,173,767	1/31/2020	11.94%	130,405,548
City of Sugar Land.....	335,091,402	1/31/2020	31.31%	104,917,118
First Colony MUD No. 10 (a).....	12,125,000	1/31/2020	100.00%	12,125,000
Total Estimated Overlapping Debt.....				\$ 289,743,102
The District.....	71,400,000 (b)	Current	100.00%	71,400,000
Total Direct and Estimated Overlapping Debt.....				\$ 361,143,102
Ratio of Estimated Direct and Overlapping Debt to 2019 Certified Taxable Assessed Valuation.....				7.42%

- (a) Approximately 226 acres of the District lie within the boundaries of First Colony Municipal Utility District No. 10.
- (b) Includes the Bonds, the Remaining Outstanding Bonds and the \$13,365,000 Series 2020A Bonds which sold on April 15, 2020 and are expected to close May 21, 2020.

Debt Ratios

	<u>% of 2019 Certified Assessed Valuation (a)</u>
Direct Debt	1.47%
Direct and Estimated Overlapping Debt	7.42%

(a) The 2019 Certified Taxable Assessed Value of \$4,863,998,637 excludes \$202,426,740 of abated value for tax year 2019.

TAX DATA

General

All taxable property within the District is subject to the assessment, levy and collection by the District of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds and the Remaining Outstanding Bonds. The Board of Directors of the District has in its Bond Resolution covenanted to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds and the Remaining Outstanding Bonds. The District levied a tax for debt service for 2019 at a rate of \$0.093 per \$100 assessed valuation and a maintenance tax for 2019 at a rate of \$0.056 per \$100 of assessed valuation for a total of \$0.149 per \$100 of assessed valuation for the 2019 tax year. See "Tax Rate Distribution" below.

Tax Rate Limitations

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

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance tax is authorized by vote of the District's electors. On January 15, 1977, the Board was authorized by a vote of the District's electors to levy such maintenance tax in an amount not to exceed \$0.25 per \$100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and the Outstanding Bonds and any parity bonds which may be issued in the future. The District levied a maintenance tax of \$0.056 for the 2019 tax year. See "Tax Rate Distribution" below.

Additional Penalties

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

City of Sugar Land Tax Increment Reinvestment Zone No. 1

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

On December 1, 1998, the City designated approximately 33 acres as City of Sugar Land Tax Increment Reinvestment Zone No.1 ("TIRZ No.1"), all of which lies within the boundaries of the District. The District has agreed to contribute 100% of its TIRZ Revenues to the City for the life of TIRZ No.1 or twenty-six (26) years, whichever occurs earlier. The District's participation in TIRZ No.1 has the effect of reducing the tax revenues that are available to the District to finance District facilities during the life of TIRZ No.1. For the tax year 2019, the District's tax increment equaled \$202,426,740 and will generate \$301,615 in revenues based upon the District's 2019 tax rate of \$0.149 per \$100 of assessed valuation. After the earlier of the dissolution of TIRZ No.1 or 26 years, the District will collect and retain the tax revenue on all of the land previously located in TIRZ No.1.

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of assessed valuation which would be required to meet certain debt service requirements on the Bonds, the Remaining Outstanding Bonds and the Series 2020A Bonds if no growth in the District’s tax base occurs beyond the 2019 Certified Taxable Assessed Valuation of \$5,066,425,377 less the Tax Increment Value of TIRZ No.1 of \$202,426,740 (value used for calculations \$4,863,998,637). The calculations assume collection of 95% of taxes levied and the sale of no bonds by the District except the Remaining Outstanding Bonds, the Bonds and the Series 2020A Bonds.

Average annual debt service requirement (2020-2050)	\$3,495,275 (a)
Tax Rate of \$0.076 tax rate on the 2019 Certified Taxable Assessed	
less the Tax Increment produces	\$3,511,807
Maximum annual debt service requirement (2021)	\$4,081,494 (a)
Tax Rate of \$0.089 tax rate on the 2019 Certified Taxable Assessed Valuation	
less the Tax Increment produces.....	\$4,112,511

(a) The District sold \$13,365,000 of Series 2020A Bonds on April 15, 2020, which are expected to close on May 21, 2020. See “INVESTMENT CONSIDERATIONS—Future Debt.”

Estimated Overlapping Taxes

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

Set forth below is an estimation of all taxes per \$100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. The following chart includes the 2019 taxes per \$100 of assessed valuation levied by all such taxing jurisdictions including the District.

	<u>2019 Tax Rate per \$100 of Taxable Assessed Valuation</u>
Fort Bend County (including Drainage District).....	\$ 0.460000
Fort Bend ISD.....	1.270000
City of Sugar Land.....	<u>0.332000</u>
Total Overlapping Tax Rate.....	\$ 2.062000
The District.....	<u>0.149000</u>
Total Tax Rate (a).....	\$ 2.211000

(a) Approximately 226 acres of the District lie within the boundaries of First Colony Municipal Utility District No. 10. First Colony Municipal Utility District No. 10 currently levies a tax rate of \$0.16 per \$100 of assessed value in addition to the tax rates levied by the other jurisdictions listed above. For the acreage within First Colony Municipal Utility District No. 10, the total tax rate is \$2.371.

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

Assessed Valuation Summary

The following represents the type of property comprising the 2017 through 2019 tax rolls. Differences in totals may vary slightly from other information herein due to differences in dates of data.

	2019 Taxable Valuation	2018 Taxable Valuation	2017 Taxable Valuation
Land	\$ 1,077,246,579	\$ 1,079,761,192	\$ 1,075,386,692
Improvements	4,170,580,298	4,150,304,059	4,101,050,803
Personal Property	307,754,130	318,924,354	308,685,297
Exemptions	<u>(489,155,630)</u>	<u>(480,459,903)</u>	<u>(503,308,135)</u>
Total	<u>\$ 5,066,425,377</u>	<u>\$ 5,068,529,702</u>	<u>\$ 4,981,814,657</u>

Historical Tax Collections

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

Tax Year	Certified Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of February 29, 2020 (a)	
				Amount	Percent
2015	\$ 4,550,202,070	0.1100	\$ 5,005,228	\$ 5,000,213	99.90%
2016	4,809,945,114	0.1067	5,132,212	5,125,474	99.87%
2017	4,981,814,657	0.1110	5,529,815	5,517,827	99.78%
2018	5,068,529,702	0.1450	7,348,964	7,315,856	99.55%
2019	5,066,425,377	0.1490	7,548,974	7,323,021	97.01%

(a) Unaudited.

Taxes are due October 1 or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. No split payments are allowed, and no discounts are allowed.

Tax Rate Distribution

	2019	2018	2017	2016	2015
Debt Service	\$ 0.093	\$ 0.057	\$ 0.024	\$ 0.026	\$ 0.023
Maintenance and Operations	<u>0.056</u>	<u>0.088</u>	<u>0.087</u>	<u>0.087</u>	<u>0.087</u>
Total	\$ 0.149	\$ 0.145	\$ 0.111	\$ 0.113	\$ 0.110

Principal 2019 Taxpayers

The following list of principal taxpayers was provided by the District's tax assessor/collector and represents the principal taxpayers' value as a percentage of the certified appraisal rolls for the 2019 Certified Taxable Assessed Valuation. This represents ownership as of January 1, 2019.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2019 Certified Taxable Assessed Valuation</u>	<u>% of 2019 Certified Taxable Assessed Valuation (a)</u>
LCFRE Sugar Land Town Square	Land & Improvements	\$ 129,882,616	2.56%
First Colony Mall LLC	Land & Improvements	100,812,827	1.99%
Lakepointe Assets LLC	Land & Improvements	90,000,000	1.78%
Market Town Center Owner	Land & Improvements	66,359,542	1.31%
Lake Pointe Shopping Center	Personal Property	35,469,682	0.70%
Inland Western Sugar Land	Land & Improvements	31,966,670	0.63%
225 Fluor Daniel Dr LP	Land & Improvements	30,052,000	0.59%
2222 Settlers Way LP	Land & Improvements	25,500,000	0.50%
Longreach Associates LTD.	Land & Improvements	24,988,900	0.49%
HH Texas Hotel Associates	Land & Improvements	23,131,628	0.46%
Total		\$ 558,163,865	11.02%

(a) Based on Tax Roll in the amount of \$5,066,425,377, which includes \$202,426,740 of abated value for tax year 2019.

TAX PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Remaining Outstanding Bonds, the Bonds and any additional bonds payable from taxes which the District may hereafter issue (see “INVESTMENT CONSIDERATIONS—Future Debt”) and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully herein under “THE BONDS—Source of and Security for Payment.” Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and for the payment of certain contractual obligations. See “TAX DATA—Debt Service Tax” and “—Maintenance Tax.”

Property Tax Code and County-Wide Appraisal District

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

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; travel trailers; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approves it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 depending on the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who was entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to a total tax exemption on such surviving spouse's residence homestead. If the surviving spouse changes homesteads, but does not remarry, then the amount of the exemption as of the last year of the first qualifying residential homestead is applicable to the subsequent homesteads. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See "TAX DATA."

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1.

Freeport Goods and Goods-in-Transit Exemptions: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for fewer than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption is limited to tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

Fort Bend County or the City of Sugar Land may designate all or part of the area within the District as a reinvestment zone. Thereafter, Fort Bend County, the District, and the City of Sugar Land at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. The District has adopted guidelines and criteria for establishing tax abatement agreements. While the District has previously entered into tax abatement agreements, no such agreements are currently in effect for the 2019 tax year and beyond. However, the District reserves the right to enter into future tax abatement agreements and cannot make any representations as to the likelihood of entering into such agreements. See “TAX DATA—City of Sugar Land Tax Increment Reinvestment Zone No.1”

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Generally, assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. In determining market value, either the replacement cost or the income or the market data method of valuation may be used, whichever is appropriate. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads are limited by the Texas Constitution to 10 percent annually regardless of the market value of the property.

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

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

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

District and Taxpayer Remedies

Under certain circumstances taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

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

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

Rollback of Operation and Maintenance Tax Rate

During the 86th Regular Legislative Session, Senate Bill 2 ("SB 2") was passed and signed by the Governor, with an effective date of January 1, 2020, and the provisions described herein are effective beginning with the 2020 tax year. See "SELECTED FINANCIAL INFORMATION" for a description of the District's current total tax rate. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

SB 2 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 pursuant to SB 2 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, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

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

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

The District: A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis, beginning with the 2020 tax rate. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

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

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

INVESTMENT CONSIDERATIONS

General

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

Infectious Disease Outlook (COVID-19)

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the "Pandemic"), which is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States in connection with COVID-19. On March 13, 2020, the President of the United States (the "President") declared the Pandemic a national emergency and the Texas Governor (the "Governor") declared COVID-19 an imminent threat of disaster for all counties in Texas (collectively, the "disaster declarations"). On March 25, 2020, in response to a request from the Governor, the President issued a Major Disaster Declaration for the State of Texas.

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with this disaster and issuing executive orders that have the force and effect of law. The Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation. These include, for example, the issuance of an Executive Order on March 31, 2020, which, among other things, prohibits social gatherings of more than 10 people through April 30, 2020 and orders the closure of schools throughout the state through May 4, 2020, unless otherwise extended, modified, rescinded, or superseded by the Governor. In addition, Fort Bend County, within which the District is located, has issued a "shelter in place" order for most citizens except when engaged in specified essential businesses and government functions. Many of the federal, state and local actions and policies under the aforementioned disaster declarations are focused on slowing the spread of COVID-19 by limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas. Stock values and crude oil prices, in the U.S. and globally, have seen significant declines attributed to COVID-19 concerns. Texas and the Houston area may be particularly at risk from any global slowdown, given the prevalence of international trade in the state and the risk of contraction in the oil and gas industry and spillover effects into other industries.

Such adverse economic conditions, if they continue, 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 Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

The District continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of COVID-19 upon the District. While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition. The financial and operating data contained herein are the latest available, but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not necessarily indicative of the economic impact of the Pandemic on the District's financial condition.

Weather Events, Including Hurricane Harvey and May 7, 2019 Rainfall Event

The greater Houston area is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced 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 26, 2017, and brought historic levels of rainfall during the successive four days. In addition, the District experienced a major rainfall event on May 7, 2019. Based on rainfall data collected within the District, rainfall intensities during this event exceeded 4.5 inches per hour categorizing this event as a 1% probability storm event (i.e. “100-year event”).

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

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

If a hurricane, flood, or any other natural disaster significantly damages all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or necessity to increase 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 of time in which assessed values within the District would be adversely affected.

Specific Flood Type Risks

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

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

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

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

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

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

National Flood Insurance Program ("NFIP")

The current legislation authorizing the NFIP expired on September 30, 2018. Congress has extended the NFIP by successive, short-term continuing funding resolutions, the most current of which was effective on December 20, 2019, that expires on September 30, 2020. Congress is considering a number of different proposals for long-term reauthorization of the NFIP. During prior NFIP reauthorization proceedings, Congress considered several proposals to re-authorize the NFIP that, if enacted, would have required FEMA to expand the special flood hazard areas ("SFHA") under the NFIP to areas located behind levees, regardless of the accreditation status of the levee. As a result of this designation, areas protected by levees would be subjected to the full application of SFHA requirements under the current NFIP rules, including mandatory flood insurance purchase requirements and floodplain management regulations. The District cannot predict what impact, if any, the application of the mandatory flood insurance purchase requirements and the flood plain management regulations would have on (i) the future development of land and construction of taxable improvements in the District, (ii) the value of land and improvements currently in the District, or (iii) the availability of mortgages to purchase homes within the District. Moreover, the District cannot predict what impact, if any, the expiration of the NFIP would have on (i) the future development of land and construction of taxable improvements in the District, (ii) the value of land and improvements currently in the District, or (iii) the availability of mortgages to purchase homes within the District. The likelihood of further NFIP extension or reauthorization legislation being enacted (and whether any such legislation will contain the SFHA provisions described above or similar thereto or any other potentially adverse provisions) cannot be predicted.

Maximum Impact on District Tax Rates

Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2019 Certified Taxable Assessed Valuation of property located within the District (see "TAX DATA") is \$5,066,425,377. The District has agreed to contribute 100% of its tax revenues on incremental value that lies within TIRZ No.1 to the City of Sugar Land for the life of TIRZ No.1 or twenty-six (26) years, whichever occurs sooner. Included in the 2019 Certified Taxable Assessed Valuation is approximately \$202,426,740 of the District's valuation that is attributable to TIRZ No.1 (the "Tax Increment Value"). See "TAX DATA—City of Sugar Land Tax Increment Reinvestment Zone No. 1." After issuance of the Bonds, the maximum annual debt service requirement on the Remaining Outstanding Bonds and the Bonds will be \$4,081,494 (2021) and the average annual debt service requirement will be \$3,495,275 (2020-2050), inclusive. Assuming no increase to nor decrease from the 2019 Certified Taxable Assessed Valuation less the Tax Increment Value, tax rates of \$0.089 and \$0.076 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners. The District levied a debt service tax rate of \$0.093 per \$100 of assessed valuation for 2019 plus a maintenance tax rate of \$0.056 per \$100 of assessed valuation.

Future Debt

The District has the right to issue additional unlimited tax levee improvement bonds for levee and drainage facilities or additional bonds for such other purposes for which the District is authorized by the Constitution and laws of the State of Texas (the "Authorized Facilities"). The issuance of any unlimited tax levee improvement bonds requires TCEQ approval. Following the issuance of the Bonds, \$74,610,000 of bonds will remain authorized but unissued for the purpose of financing the construction of levee and drainage facilities and for refunding bonds issued for such purposes. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District (if authorized by the District's voters and approved by the Board and the TCEQ). The TCEQ has approved a total of \$30,000,000 principal amount of unlimited tax levee improvement bonds to be issued by the District, of which the District sold \$13,365,000 Series 2020A Bonds on April 15, 2020 which are expected to close on May 21, 2020. The District intends to issue the balance of such authorization in late 2020 or early 2021.

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

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

Tax Collection Limitations

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

Registered Owners' Remedies and Bankruptcy Limitations

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, if it fails to make payments into any fund or funds created in the Bond Resolution, or if it defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default, and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owner's remedies, including mandamus. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay, or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision such as the District may qualify as a debtor eligible to proceed in a Chapter 9 case only if it is (1) authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Special districts such as the District must obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect Registered Owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating the collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owners' claims against a district.

A district may not be forced into bankruptcy involuntarily.

Environmental Regulations

Wastewater treatment, 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 city, levee 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 three separate federal ozone standards: the one-hour (124 parts per billion ("ppb")) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the "1997 Ozone Standards"); the tighter, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the "2008 Ozone Standard"), and the EPA's most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the "2015 Ozone Standard"). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remains subject to CAA nonattainment requirements.

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

In February 2018, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion in *South Coast Air Quality Management District v. EPA*, 882 F.3d 1138 (D.C. Cir. 2018) vacating the EPA redesignation substitute rule that provided the basis for the EPA's decision to eliminate the anti-backsliding requirements that had applied in the HGB Area under the 1997 Ozone Standard. The court has not responded to the EPA's April 2018 request for rehearing of the case. To address the uncertainty created by the South Coast court's ruling, the TCEQ has developed a formal request that the HGB Area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners approved publication of a proposed HGB Area redesignation request under the 1997 Ozone Standards on September 5, 2018.

The HGB Area is currently designated as a "moderate" nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2018. If the EPA ultimately determines that the HGB Area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

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

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

Water Supply & Discharge Issues: Water supply and discharge regulations that levee improvement districts, including the District, may be required to comply with involve: (1) groundwater well permitting and surface water appropriation; (2) storm water discharges; and (3) wetlands dredge and fill activities.

The District is subject to the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which was issued by the TCEQ on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The District has applied for coverage under the MS4 Permit and is awaiting final approval from the TCEQ. In order to maintain compliance with the MS4 Permit, the District continues to develop, implement, and maintain the required plans, as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. The District coordinates its efforts with the City of Sugar Land, which operates the storm sewer system in the District. Costs associated with these compliance activities could be substantial in the future.

In 2015, the EPA and USACE promulgated a rule known as the Clean Water Rule ("CWR") aimed at redefining "waters of the United States" over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expanded the scope of the federal government's CWA jurisdiction over intrastate water bodies and wetlands. The CWR was challenged in numerous jurisdictions, including the Southern District of Texas, causing significant uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction.

On September 12, 2019, the EPA and USACE finalized a rule repealing the CWR, thus reinstating the regulatory text that existed prior to the adoption of the CWR. This repeal officially became final on December 23, 2019, but the repeal has itself become the subject of litigation in multiple jurisdictions.

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule ("NWPR"), which contains a new definition of "waters of the United States." The stated purpose of the NWPR is to restore and maintain the integrity of the nation's waters by maintaining federal authority over the waters Congress has determined should be regulated by the federal government, while preserving the states' primary authority over land and water resources. The new definition outlines four categories of waters that are considered "waters of the United States," and thus federally regulated under the CWA: (i) territorial seas and traditional navigable waters; (ii) perennial and intermittent tributaries to territorial seas and traditional navigable waters; (iii) certain lakes, ponds, and impoundments of jurisdictional waters; and (iv) wetlands adjacent to jurisdictional waters. The new rule also identifies certain specific categories that are not "waters of the United States," and

therefore not federally regulated under the CWA: (a) groundwater; (b) ephemeral features that flow only in direct response to precipitation; (c) diffuse stormwater runoff and directional sheet flow over upland; (d) certain ditches; (e) prior converted cropland; (f) certain artificially irrigated areas; (g) certain artificial lakes and ponds; (h) certain water-filled depressions and certain pits; (i) certain stormwater control features; (j) certain groundwater recharge, water reuse, and wastewater recycling structures; and (k) waste treatment systems. The NWPR will become effective 60 days after the date of its publication in the Federal Register, and will likely become the subject of further litigation.

Due to ongoing rulemaking activity, as well as existing and possible future litigation, there remains uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

Continuing Compliance with Certain Covenants

The Bond Resolution contains covenants by the District intended to preserve the exclusion from gross income for federal income tax purposes of interest on the Bonds. Failure by the District to comply with such covenants in the Bond Resolution on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See “TAX MATTERS.”

Marketability

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

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 tax purposes. Any proposed legislation, whether or not enacted, may also affect the value and liquidity of the Bonds. Prospective purchasers should consult with their own tax advisors with respect to any proposed, pending or future legislation.

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 of Texas payable from the proceeds of an annual ad valorem tax levied by the District, 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 Allen Boone Humphries Robinson LLP, Bond Counsel, to a like effect and to the effect that, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals.

Bond Counsel has reviewed the information appearing in this Official Statement under “PLAN OF FINANCING—Refunding of the Refunded Bonds,” “THE BONDS,” “THE DISTRICT—General,” “TAX PROCEDURES,” “LEGAL MATTERS,” “TAX MATTERS,” and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine if such information, insofar as it relates to matters of law, is true and correct, and whether such information fairly summarizes the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel’s limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

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

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

No Material Adverse Change

The obligations of the Underwriter to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District from that set forth or contemplated in the Preliminary Official Statement.

No-Litigation Certificate

The District will furnish the Underwriter a certificate, executed by both the President or Vice President and Secretary or Assistant Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that no litigation of any nature is pending or to its knowledge threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the levy, assessment and collection of ad valorem taxes to pay the interest or the principal of the Bonds; in any manner questioning the authority or proceedings for the issuance, execution or delivery of the Bonds; or affecting the validity of the Bonds or the title of the present officers of the District.

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 the Bonds is not subject to the alternative minimum tax on individuals.

The Internal Revenue Code of 1986, as amended (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 Bond 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 Underwriter with respect to matters solely within the knowledge of the District, the District's Financial Advisor and the Underwriter, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Bond 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.

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

Tax Accounting Treatment of Original Issue Discount Bonds

The issue price of certain of the Bonds (the "Original Issue Discount Bonds") is less than the stated redemption price at maturity. In such case, under existing law, and based upon the assumptions hereinafter stated (a) the difference between (i) the stated amount payable at the maturity of each Original Issue Discount Bond and (ii) the issue price of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond at the initial public offering price 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 Underwriter 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 are **not** "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Code.

SALE AND DISTRIBUTION OF THE BONDS

The Underwriter

The Bonds are being purchased by SAMCO Capital Markets, Inc. (the “Underwriter”) pursuant to a bond purchase agreement with the District (the “Bond Purchase Agreement”) at a price of \$7,079,866.26 (representing the par amount of the Bonds of \$6,910,000.00, plus a net premium on the Bonds of \$224,506.40, less an Underwriter’s discount of \$54,640.14) plus accrued interest. The Underwriter’s obligation is to purchase all of the Bonds, if any are purchased. See “PLAN OF FINANCING—Sources and Uses of Funds.”

The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

Prices and Marketability

The prices and other terms with respect to the offering and sale of the Bonds may be changed at any time by the Underwriter 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 Underwriter may over-allot or effect transactions that stabilize or maintain the market prices of the Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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

Securities Laws

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

MUNICIPAL BOND RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC (“S&P”), has assigned a rating of “AA-” to the Bonds. An explanation of the rating may be obtained from S&P, 55 Water Street, New York, New York 10041.

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

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

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

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

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

Consultants

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

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

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

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

Auditor: The financial statements of the District as of September 30, 2019, and for the year then ended, included in this offering document, have been audited by McGrath & Co., PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's September 30, 2019, audited financial statements.

Updating the Official Statement

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

Certification of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain financial information and operating data annually to the MSRB. The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data of the general type included in this OFFICIAL STATEMENT under the headings "DISTRICT DEBT (except under the heading "Estimated Overlapping Debt Statement)," "TAX DATA," and in APPENDIX A (Audited Financial Statements of the District and certain supplemental schedules). The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2020. Any financial statements provided by the District shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable year to the MSRB within such six month period and audited financial statements when the audit report becomes available.

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

Event Notices

The District will provide timely notices of certain specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial

Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms “obligated person” and “financial obligation” when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the “Rule”). The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operational data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information from MSRB

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public through the EMMA internet portal at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although Registered or Beneficial Owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement. The District may amend its continuing disclosure agreement from time to time to adapt the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the Registered and Beneficial Owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

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

MISCELLANEOUS

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

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

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

ATTEST:

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

AERIAL PHOTOGRAPH

(Approximate boundaries of the District as of February 2020)



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

U.S. 59

Hwy 6



PHOTOGRAPHS OF THE DISTRICT

(Taken February 2020)



















APPENDIX A

District Audited Financial Statements for the fiscal year ended September 30, 2019

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

FORT BEND COUNTY, TEXAS

FINANCIAL REPORT

September 30, 2019

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McGRATH & CO., PLLC

Certified Public Accountants
2500 Tanglewilde, Suite 340
Houston, Texas 77063

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Bend County Levee Improvement District No. 2, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient to provide a basis for our audit opinions.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Fort Bend County Levee Improvement District No. 2, as of September 30, 2019, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

W. G. Galt & Co., P.C.

Houston, Texas
January 15, 2020

Management's Discussion and Analysis

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***Fort Bend County Levee Improvement District No. 2
Management's Discussion and Analysis
September 30, 2019***

Using this Annual Report

Within this section of the financial report of Fort Bend County Levee Improvement District No. 2 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2019. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

Fort Bend County Levee Improvement District No. 2
Management's Discussion and Analysis
September 30, 2019

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, 2019, was \$54,295,181. A comparative summary of the District's overall financial position, as of September 30, 2019 and 2018, is as follows:

	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 56,276,434	\$ 16,672,721
Capital assets	<u>57,843,162</u>	<u>50,197,128</u>
Total assets	<u>114,119,596</u>	<u>66,869,849</u>
Current liabilities	2,088,745	1,658,495
Long-term liabilities	<u>57,735,670</u>	<u>10,749,568</u>
Total liabilities	<u>59,824,415</u>	<u>12,408,063</u>
Net position		
Net investment in capital assets	43,911,297	38,812,946
Restricted	1,846,324	656,070
Unrestricted	<u>8,537,560</u>	<u>14,992,770</u>
Total net position	<u>\$ 54,295,181</u>	<u>\$ 54,461,786</u>

Fort Bend County Levee Improvement District No. 2
Management's Discussion and Analysis
September 30, 2019

The total net position of the District decreased during the current fiscal year by \$166,605. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2019</u>	<u>2018</u>
Revenues		
Property taxes, penalties and interest	\$ 7,408,811	\$ 5,577,813
Other	749,015	435,265
Total revenues	<u>8,157,826</u>	<u>6,013,078</u>
Expenses		
Operating and administrative	3,687,997	3,794,394
Interest and fees	728,671	364,605
Debt issuance costs	2,687,880	
Depreciation	1,247,034	1,144,778
Total expenses	<u>8,351,582</u>	<u>5,303,777</u>
Change in net position before other item	(193,756)	709,301
Other item		
Insurance recovery	<u>27,151</u>	<u> </u>
Change in net position	(166,605)	709,301
Net position, beginning of year	<u>54,461,786</u>	<u>53,752,485</u>
Net position, end of year	<u>\$ 54,295,181</u>	<u>\$ 54,461,786</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of September 30, 2019, were \$55,019,959, which consists of \$8,452,021 in the General Fund, \$1,729,133 in the Debt Service Fund, and \$44,838,805 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of September 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Total assets	<u>\$ 9,004,869</u>	<u>\$ 15,923,592</u>
Total liabilities	\$ 467,309	\$ 930,822
Total deferred inflows	85,539	79,833
Total fund balance	<u>8,452,021</u>	<u>14,912,937</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 9,004,869</u>	<u>\$ 15,923,592</u>

Fort Bend County Levee Improvement District No. 2
Management's Discussion and Analysis
September 30, 2019

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

	<u>2019</u>	<u>2018</u>
Total revenues	\$ 4,897,252	\$ 4,746,044
Total expenditures	<u>(11,385,319)</u>	<u>(5,369,376)</u>
Revenues under expenditures	(6,488,067)	(623,332)
Other changes in fund balance	27,151	
Net change in fund balance	<u>\$ (6,460,916)</u>	<u>\$ (623,332)</u>

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

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of September 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Total assets	<u>\$ 1,893,494</u>	<u>\$ 698,584</u>
Total liabilities	\$ 47,170	\$ 42,514
Total deferred inflows	117,191	96,604
Total fund balance	<u>1,729,133</u>	<u>559,466</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 1,893,494</u>	<u>\$ 698,584</u>

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

	<u>2019</u>	<u>2018</u>
Total revenues	\$ 2,970,037	\$ 1,253,052
Total expenditures	<u>(1,800,370)</u>	<u>(1,320,946)</u>
Revenues over/(under) expenditures	<u>\$ 1,169,667</u>	<u>\$ (67,894)</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 changes in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

**Fort Bend County Levee Improvement District No. 2
 Management’s Discussion and Analysis
 September 30, 2019**

Capital Projects Fund

A comparative summary of the Capital Projects Fund’s financial position as of September 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Total assets	<u>\$ 45,378,071</u>	<u>\$ 50,545</u>
Total liabilities	\$ 539,266	\$ 50,159
Total fund balance	<u>44,838,805</u>	<u>386</u>
Total liabilities and fund balance	<u>\$ 45,378,071</u>	<u>\$ 50,545</u>

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

	<u>2019</u>	<u>2018</u>
Total revenues	\$ 264,244	\$ 125
Total expenditures	<u>(3,425,825)</u>	<u>(125)</u>
Revenues under expenditures	(3,161,581)	
Other changes in fund balance	<u>48,000,000</u>	
Net change in fund balance	<u>\$ 44,838,419</u>	<u>\$ -</u>

The District has had considerable capital asset activity in the current year, which was financed with proceeds from the issuance of its Series 2019 Unlimited Tax Levee Improvement Bonds. The District did not have any significant capital asset activity in the prior year.

General Fund Budgetary Highlights

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

Since the District’s budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$2,284,007 greater than budgeted. The *Budgetary Comparison Schedule* on page 34 of this report provides variance information per financial statement line item.

Fort Bend County Levee Improvement District No. 2
Management's Discussion and Analysis
September 30, 2019

Capital Assets

Capital assets held by the District at September 30, 2019 and 2018 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Capital assets not being depreciated		
Land and improvements	\$ 24,809,934	\$ 22,946,315
Construction in progress	5,089,366	2,483,470
	<u>29,899,300</u>	<u>25,429,785</u>
Capital assets being depreciated		
Infrastructure	33,215,623	28,843,694
Building	400,519	400,519
Equipment	7,251,663	7,200,039
	<u>40,867,805</u>	<u>36,444,252</u>
Less accumulated depreciation		
Infrastructure	(9,411,871)	(8,666,634)
Building	(93,457)	(80,106)
Equipment	(3,418,615)	(2,930,169)
	<u>(12,923,943)</u>	<u>(11,676,909)</u>
Depreciable capital assets, net	<u>27,943,862</u>	<u>24,767,343</u>
Capital assets, net	<u>\$ 57,843,162</u>	<u>\$ 50,197,128</u>

Capital asset additions during the current year include the rehabilitation of ditches “B”, “C” and “E”, the west levee top armoring pilot project, the purchase of a high-water vehicle, and the acquisition of land to construct the District’s third pump station.

The District’s construction in progress is for the construction of the third pump station, pump station “F” pump replacement project, camera and stream gauge electrical improvements, and engineering fees related to south and east levee improvements.

Long-Term Debt and Related Liabilities

At September 30, 2019 and 2018, the District had total bonded debt outstanding as shown below:

<u>Series</u>	<u>2019</u>	<u>2018</u>
2012	\$ 11,045,000	\$ 11,680,000
2019	48,000,000	
	<u>\$ 59,045,000</u>	<u>\$ 11,680,000</u>

**Fort Bend County Levee Improvement District No. 2
 Management's Discussion and Analysis
 September 30, 2019**

During the current year, the District issued \$48,000,000 in unlimited tax levee improvement bonds. Proceeds from the bonds will be used for the following:

Construction Costs	
Purchase of pumps and motors	\$ 6,088,000
Purchase of generators	5,174,800
Pump station construction and equipment install	32,000,000
Administration building construction	1,500,000
Ditch "H" armoring construction	400,000
Non-Construction Costs	<u>2,837,200</u>
Total Bond Issue	<u>\$ 48,000,000</u>

On May 4, 2019, the voters of the District authorized the District to issue an additional \$88,000,000 in unlimited tax levee improvement bonds. At September 30, 2019, the District had \$88,000,000 unlimited tax levee improvement bonds authorized, but unissued for the purposes of constructing and improving levee and drainage systems within the District and for refunding bonds issued for such purchases.

Next Year's Budget

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

	<u>2019 Actual</u>	<u>2020 Budget</u>
Total revenues	\$ 4,897,252	\$ 2,949,980
Total expenditures	<u>(11,385,319)</u>	<u>(7,612,953)</u>
Revenues under expenditures	(6,488,067)	(4,662,973)
Other changes in fund balance	<u>27,151</u>	
Net change in fund balance	(6,460,916)	(4,662,973)
Beginning fund balance	<u>14,912,937</u>	<u>8,452,021</u>
Ending fund balance	<u>\$ 8,452,021</u>	<u>\$ 3,789,048</u>

The District's budget for the next fiscal year includes a significant amount of capital outlay for the design and construction of the third pump station. As a result, budgeted expenditures are significantly greater than budgeted revenues.

Property Taxes

The District's property tax base decreased approximately \$1,550,000 for the 2019 tax year from \$5,073,512,343 to \$5,071,962,778. For the 2019 tax year, the District has levied a maintenance tax rate of \$0.056 per \$100 of assessed value and a debt service tax rate of \$0.093 per \$100 of assessed value, for a total combined tax rate of \$0.149 per \$100. Tax rates for the 2018 tax year were \$0.088 per \$100

*Fort Bend County Levee Improvement District No. 2
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for maintenance and operations and \$0.057 per \$100 for debt service for a combined total of \$0.145 per \$100 of assessed value.

Basic Financial Statements

Fort Bend County Levee Improvement District No. 2
Statement of Net Position and Governmental Funds Balance Sheet
September 30, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 311,202	\$ 96,839	\$ 114,300	\$ 522,341	\$ -	\$ 522,341
Investments	8,536,095	1,680,198	45,263,771	55,480,064		55,480,064
Taxes receivable, net	85,539	117,191		202,730		202,730
Internal balances	734	(734)				
Due from others	15,000			15,000		15,000
Other receivables	450			450		450
Prepaid insurance	55,849			55,849		55,849
Capital assets not being depreciated					29,899,300	29,899,300
Capital assets, net					27,943,862	27,943,862
Total Assets	\$ 9,004,869	\$ 1,893,494	\$ 45,378,071	\$ 56,276,434	57,843,162	114,119,596
Liabilities						
Accounts payable	\$ 369,920	\$ 2,109	\$ 472,857	\$ 844,886		844,886
Other payables		45,061		45,061		45,061
Retainage payable	14,889		16,250	31,139		31,139
Maintenance deposits	75,000			75,000		75,000
Builder deposits	7,500			7,500		7,500
Due to other governments			50,159	50,159		50,159
Long-term debt						
Due within one year					1,035,000	1,035,000
Due after one year					57,735,670	57,735,670
Total Liabilities	467,309	47,170	539,266	1,053,745	58,770,670	59,824,415
Deferred Inflows of Resources						
Deferred property taxes	85,539	117,191		202,730	(202,730)	
Fund Balances/Net Position						
Fund Balances						
Nonspendable	55,849			55,849	(55,849)	
Restricted		1,729,133	44,838,805	46,567,938	(46,567,938)	
Unassigned	8,396,172			8,396,172	(8,396,172)	
Total Fund Balances	8,452,021	1,729,133	44,838,805	55,019,959	(55,019,959)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 9,004,869	\$ 1,893,494	\$ 45,378,071	\$ 56,276,434		
Net Position						
Net investment in capital assets					43,911,297	43,911,297
Restricted for debt service					1,846,324	1,846,324
Unrestricted					8,537,560	8,537,560
Total Net Position					\$ 54,295,181	\$ 54,295,181

See notes to basic financial statements.

Fort Bend County Levee Improvement District No. 2
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 4,454,848	\$ 2,866,817	\$ -	\$ 7,321,665	\$ 18,673	\$ 7,340,338
Penalties and interest		60,853		60,853	7,620	68,473
FEMA grants	96,329			96,329		96,329
Miscellaneous	47,711			47,711		47,711
Investment earnings	298,364	42,367	264,244	604,975		604,975
Total Revenues	4,897,252	2,970,037	264,244	8,131,533	26,293	8,157,826
Expenditures/Expenses						
Operating and administrative						
Purchased services	1,140			1,140		1,140
Professional fees	460,380		40,744	501,124		501,124
Contracted services	1,087,717	159,412		1,247,129		1,247,129
Repairs and maintenance	1,359,025			1,359,025		1,359,025
Utilities	75,630			75,630		75,630
TIRZ participation		282,833		282,833		282,833
Administrative	196,602	15,556	179	212,337		212,337
Other	8,779			8,779		8,779
Capital outlay	8,196,046		697,022	8,893,068	(8,893,068)	
Debt service						
Principal		635,000		635,000	(635,000)	
Interest and fees		707,569		707,569	21,102	728,671
Debt issuance costs			2,687,880	2,687,880		2,687,880
Depreciation					1,247,034	1,247,034
Total Expenditures/Expenses	11,385,319	1,800,370	3,425,825	16,611,514	(8,259,932)	8,351,582
Revenues Over/(Under)						
Expenditures/Expenses	(6,488,067)	1,169,667	(3,161,581)	(8,479,981)	8,286,225	(193,756)
Other Financing Sources						
Proceeds from sale of bonds			48,000,000	48,000,000	(48,000,000)	
Other Item						
Insurance recovery	27,151			27,151		27,151
Net Change in Fund Balances	(6,460,916)	1,169,667	44,838,419	39,547,170	(39,547,170)	
Change in Net Position					(166,605)	(166,605)
Fund Balance/Net Position						
Beginning of the year	14,912,937	559,466	386	15,472,789	38,988,997	54,461,786
End of the year	\$ 8,452,021	\$ 1,729,133	\$ 44,838,805	\$ 55,019,959	\$ (724,778)	\$ 54,295,181

See notes to basic financial statements.

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Fort Bend County Levee Improvement District No. 2
Notes to Basic Financial Statements
September 30, 2019

Note 1 – Summary of Significant Accounting Policies

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

Creation

The District was organized, created and established pursuant to an order of Commissioner’s Court of Fort Bend County, Texas, dated February 10, 1975, and operates in accordance with the Texas Water Code, Chapters 49 and 57. The Board of Directors held its first meeting on July 9, 1975 and the first bonds were sold on March 9, 1979.

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

Fort Bend County Levee Improvement District No. 2
Notes to Basic Financial Statements
September 30, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

Use of Restricted Resources

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

Fort Bend County Levee Improvement District No. 2
Notes to Basic Financial Statements
September 30, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

Prepaid Items

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At September 30, 2019, an allowance of \$53,264 was provided for possible uncollectible property taxes.

Interfund Activity

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

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$5,000 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.

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

<u>Assets</u>	<u>Useful Life</u>
Infrastructure	45 years
Buildings	30 years
Equipment	5-25 years

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

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Inflows and Outflows of Financial Resources

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

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

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District’s restricted fund balances consist of unspent bond proceeds in the Capital Projects Fund and 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 does not have any committed fund balances.

Fort Bend County Levee Improvement District No. 2
Notes to Basic Financial Statements
September 30, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

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

Fort Bend County Levee Improvement District No. 2
Notes to Basic Financial Statements
September 30, 2019

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balances, governmental funds		\$ 55,019,959
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.</p>		
Historical cost	\$ 70,767,105	
Less accumulated depreciation	<u>(12,923,943)</u>	
Change due to capital assets		57,843,162
<p>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.</p>		
		(58,770,670)
<p>Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the</p>		
Property taxes receivable	127,722	
Penalty and interest receivable	<u>75,008</u>	
Change due to property taxes		202,730
Total net position - governmental activities		<u><u>\$ 54,295,181</u></u>

Fort Bend County Levee Improvement District No. 2
Notes to Basic Financial Statements
September 30, 2019

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 \$ 39,547,170

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. 26,293

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

Capital outlays	\$ 8,893,068	
Depreciation expense	(1,247,034)	
		7,646,034

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

Issuance of long term debt	(48,000,000)	
Principal payments	635,000	
Interest expense accrual	(21,102)	
		(47,386,102)

Change in net position of governmental activities \$ (166,605)

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Fort Bend County Levee Improvement District No. 2
Notes to Basic Financial Statements
September 30, 2019

Note 3 – Deposits and Investments (continued)

Investments

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

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

As of September 30, 2019, the District’s investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexPool	General	\$ 8,536,095		
	Debt Service	1,680,198		
	Capital Projects	45,263,771		
		<u>\$ 55,480,064</u>	AAAm	34 days

TexPool

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

Fort Bend County Levee Improvement District No. 2
Notes to Basic Financial Statements
September 30, 2019

Note 3 – Deposits and Investments (continued)

TexPool (continued)

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

Investment Credit and Interest Rate Risk

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

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at September 30, 2019, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General	Debt Service	\$ 734	Maintenance tax collections not remitted as of year end.

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

Fort Bend County Levee Improvement District No. 2
Notes to Basic Financial Statements
September 30, 2019

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended September 30, 2019, is as follows:

	Beginning Balances	Additions	Retirements	Ending Balances
Capital assets not being depreciated				
Land and improvements	\$ 22,946,315	\$ 1,863,619	\$ -	\$ 24,809,934
Construction in progress	2,483,470	4,036,012	(1,430,116)	5,089,366
	<u>25,429,785</u>	<u>5,899,631</u>	<u>(1,430,116)</u>	<u>29,899,300</u>
Capital assets being depreciated				
Infrastructure	28,843,694	4,371,929		33,215,623
Building	400,519			400,519
Equipment	7,200,039	51,624		7,251,663
	<u>36,444,252</u>	<u>4,423,553</u>		<u>40,867,805</u>
Less accumulated depreciation				
Infrastructure	(8,666,634)	(745,237)		(9,411,871)
Building	(80,106)	(13,351)		(93,457)
Equipment	(2,930,169)	(488,446)		(3,418,615)
	<u>(11,676,909)</u>	<u>(1,247,034)</u>		<u>(12,923,943)</u>
Subtotal depreciable capital assets, net	<u>24,767,343</u>	<u>3,176,519</u>		<u>27,943,862</u>
Capital assets, net	<u>\$ 50,197,128</u>	<u>\$ 9,076,150</u>	<u>\$ (1,430,116)</u>	<u>\$ 57,843,162</u>

Depreciation expense for the current year was \$1,247,034.

Ditch H Expansion Project

On May 4, 2004, the District entered into a cost sharing agreement with the City of Sugar Land, Fort Bend County Drainage District, and Fort Bend County Levee Improvement District No. 17 to provide joint financing of the Ditch H expansion and improvement project. The District was designated as project manager by the parties to the agreement. Pursuant to the agreement, all participants deposited their pro-rata share of costs into a restricted interest-bearing account. Funds received from other participants that have not yet been spent are reported as Due to Other Governments. This amount was \$50,159 as of September 30, 2019.

Fort Bend County Levee Improvement District No. 2
Notes to Basic Financial Statements
September 30, 2019

Note 5 – Capital Assets (continued)

The District has construction in progress at year end which consist of the following:

	Contract Amount	Amounts Paid	Remaining Commitment
Camera and stream gauge electrical improvements	\$ 197,269	\$ 133,997	\$ 63,272
Pump Station "F" - pump replacement project	522,500		522,500
Third Storm Water Pump Station - Contract 1	4,954,100	247,705	4,706,395
Third Storm Water Pump Station - Contract 2	3,696,000		3,696,000
Third Storm Water Pump Station - Contract 6	380,366	146,250	234,116
	<u>\$ 9,750,235</u>	<u>\$ 527,952</u>	<u>\$ 9,222,283</u>

Note 6 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 59,045,000
Unamortized discounts	<u>(274,330)</u>
	<u>\$ 58,770,670</u>
Due within one year	<u>\$ 1,035,000</u>

The District's bonds payable at September 30, 2019, 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	\$ 11,045,000	\$ 15,000,000	2.0% - 4.5%	April 1, 2013 - 2032	April 1, October 1	April 1, 2019
2019	48,000,000	48,000,000	3.0% - 5.0%	April 1, 2020 - 2049	April 1, October 1	April 1, 2024
	<u>\$ 59,045,000</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.

Fort Bend County Levee Improvement District No. 2
Notes to Basic Financial Statements
September 30, 2019

Note 6 – Long-Term Debt (continued)

On May 4, 2019, the voters of the District authorized the District to issue an additional \$88,000,000 in unlimited tax levee improvement bonds. At September 30, 2019, the District had authorized but unissued bonds in the amount of \$88,000,000 for construction of levees and drainage facilities and for refunding bond issued for such purposes.

On June 27, 2019, the District issued its \$48,000,000 Series 2019 Unlimited Tax Levee Improvement Bonds at a net effective interest rate of 3.146542%. Proceeds from the bonds will be used for the following:

Construction Costs	
Purchase of pumps and motors	\$ 6,088,000
Purchase of generators	5,174,800
Pump station construction and equipment install	32,000,000
Administration building construction	1,500,000
Ditch "H" armoring construction	400,000
Non-Construction Costs	<u>2,837,200</u>
Total Bond Issue	<u><u>\$ 48,000,000</u></u>

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

Bonds payable, beginning of year	\$ 11,680,000
Bonds issued	48,000,000
Bonds retired	<u>(635,000)</u>
Bonds payable, end of year	<u><u>\$ 59,045,000</u></u>

Fort Bend County Levee Improvement District No. 2
Notes to Basic Financial Statements
September 30, 2019

Note 6 – Long-Term Debt (continued)

The debt service payment due October 1 was made during the current fiscal year. The following schedule was prepared presuming this practice will continue. As of September 30, 2019, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2020	\$ 1,035,000	\$ 1,773,277	\$ 2,808,277
2021	1,065,000	1,739,303	2,804,303
2022	1,090,000	1,702,990	2,792,990
2023	1,120,000	1,664,128	2,784,128
2024	1,150,000	1,622,578	2,772,578
2025	1,180,000	1,583,878	2,763,878
2026	1,215,000	1,547,533	2,762,533
2027	1,535,000	1,504,769	3,039,769
2028	1,590,000	1,455,663	3,045,663
2029	1,640,000	1,403,700	3,043,700
2030	1,700,000	1,348,763	3,048,763
2031	1,750,000	1,299,675	3,049,675
2032	1,795,000	1,256,975	3,051,975
2033	1,850,000	1,207,650	3,057,650
2034	1,915,000	1,151,175	3,066,175
2035	1,975,000	1,092,825	3,067,825
2036	2,040,000	1,032,600	3,072,600
2037	2,105,000	970,425	3,075,425
2038	2,175,000	906,225	3,081,225
2039	2,245,000	839,925	3,084,925
2040	2,315,000	771,525	3,086,525
2041	2,395,000	700,875	3,095,875
2042	2,470,000	627,900	3,097,900
2043	2,550,000	552,600	3,102,600
2044	2,635,000	474,825	3,109,825
2045	2,720,000	394,500	3,114,500
2046	2,805,000	311,625	3,116,625
2047	2,900,000	226,050	3,126,050
2048	2,995,000	137,625	3,132,625
2049	3,090,000	46,350	3,136,350
	\$ 59,045,000	\$ 31,347,932	\$ 90,392,932

Fort Bend County Levee Improvement District No. 2
Notes to Basic Financial Statements
September 30, 2019

Note 7 – Property Taxes

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

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

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2019 fiscal year was financed through the 2018 tax levy, pursuant to which the District levied property taxes of \$0.145 per \$100 of assessed value, of which \$0.088 was allocated to maintenance and operations and \$0.057 was allocated to debt service. The resulting tax levy was \$7,356,189 on the adjusted taxable value of \$5,073,512,343.

Net property taxes receivable, at September 30, 2019, consisted of the following:

Current year taxes receivable	\$ 54,325
Prior years taxes receivable	126,661
Less allowance for uncollectible accounts	<u>(53,264)</u>
	127,722
Penalty and interest receivable	<u>75,008</u>
Net property taxes receivable	<u>\$ 202,730</u>

Note 8 – City of Sugar Land Tax Increment Reinvestment Zone No. 1

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

On December 1, 1998, the City established the City of Sugar Land Tax Increment Reinvestment Zone No. 1 (TIRZ 1), all of which lies within the boundaries of the District. The District agreed to contribute 100% of its tax increment revenues to the City for the life of TIRZ 1 or 26 years, whichever is less. During the current fiscal year, the District contributed \$282,833 to the City for TIRZ 1.

Fort Bend County Levee Improvement District No. 2
Notes to Basic Financial Statements
September 30, 2019

Note 9 – Risk Management

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

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Required Supplementary Information

Fort Bend County Levee Improvement District No. 2
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Property taxes	\$ 4,070,351	\$ 4,426,409	\$ 4,454,848	\$ 28,439
FEMA grants			96,329	96,329
Miscellaneous			47,711	47,711
Investment earnings	87,168	281,877	298,364	16,487
Total Revenues	4,157,519	4,708,286	4,897,252	188,966
Expenditures				
Operating and administrative				
Purchased services	600	600	1,140	(540)
Professional fees	273,700	363,700	460,380	(96,680)
Contracted services	998,360	1,014,500	1,087,717	(73,217)
Repairs and maintenance	1,382,617	1,377,617	1,359,025	18,592
Utilities	124,200	124,200	75,630	48,570
Administrative	117,392	127,592	196,602	(69,010)
Other	12,000	12,000	8,779	3,221
Capital outlay	15,022,000	10,433,000	8,196,046	2,236,954
Total Expenditures	17,930,869	13,453,209	11,385,319	2,067,890
Revenues Under Expenditures	(13,773,350)	(8,744,923)	(6,488,067)	2,256,856
Other Item				
Insurance recovery			27,151	27,151
Net Change in Fund Balance	(13,773,350)	(8,744,923)	(6,460,916)	2,284,007
Fund Balance				
Beginning of the year	14,912,937	14,912,937	14,912,937	
End of the year	\$ 1,139,587	\$ 6,168,014	\$ 8,452,021	\$ 2,284,007

Fort Bend County Levee Improvement District No. 2
Notes to Required Supplementary Information
September 30, 2019

Budgets and Budgetary Accounting

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

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Texas Supplementary Information

Fort Bend County Levee Improvement District No. 2

TSI-1. Services and Rates

September 30, 2019

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

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

2. Retail Service Providers N/A

(You may omit this information if your district does not provide retail services)

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

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

District employs winter averaging for wastewater usage Yes No

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

b. Water and Wastewater Retail Connections:

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

See accompanying auditor's report.

***Fort Bend County Levee Improvement District No. 2
TSI-2 General Fund Expenditures
For the Year Ended September 30, 2019***

Purchased services		<u>\$ 1,140</u>
Professional fees		
Legal		
General counsel		221,495
Lobbying		150,335
Audit		15,100
Engineering		<u>73,450</u>
		<u>460,380</u>
Contracted services		
Bookkeeping		39,656
Operator		409,427
General manager		254,363
Construction manager		187,595
Asset management		21,292
Environmental services		63,207
Security services		52,417
Information technology services		<u>59,760</u>
		<u>1,087,717</u>
Repairs and maintenance		<u>1,359,025</u>
Utilities		<u>75,630</u>
Administrative		
Directors fees		18,000
Printing and office supplies		13,593
Insurance		46,900
Other		<u>118,109</u>
		<u>196,602</u>
Other		<u>8,779</u>
Capital outlay		<u>8,196,046</u>
Total expenditures		<u><u>\$ 11,385,319</u></u>

Reporting of Utility Services in Accordance with HB 3693:

	<u>Usage</u>	<u>Cost</u>
Electrical	612,381 KwH	\$ 82,216
Water	N/A	N/A
Natural Gas	1,787 ccf's	\$ 2,031

See accompanying auditors' report.

Fort Bend County Levee Improvement District No. 2
TSI-3. Investments
September 30, 2019

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>
General			
TexPool	Variable	N/A	\$ 4,045,851
TexPool	Variable	N/A	4,490,244
			<u>8,536,095</u>
Debt Service			
TexPool	Variable	N/A	<u>1,680,198</u>
Capital Projects			
TexPool	Variable	N/A	<u>45,263,771</u>
Total - All Funds			<u><u>\$ 55,480,064</u></u>

See accompanying auditors' report.

Fort Bend County Levee Improvement District No. 2
TSI-4. Taxes Levied and Receivable
September 30, 2019

	Maintenance Taxes	Debt Service Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 79,833	\$ 29,216	\$ 109,049	
Adjustments	(5,171)	(2,070)	(7,241)	
Adjusted Receivable	74,662	27,146	101,808	
2018 Original Tax Levy	4,456,716	2,886,737	7,343,453	
Adjustments	7,729	5,007	12,736	
Adjusted Tax Levy	4,464,445	2,891,744	7,356,189	
Total to be accounted for	4,539,107	2,918,890	7,457,997	
Tax collections:				
Current year	4,431,476	2,870,388	7,301,864	
Prior years	22,092	6,319	28,411	
Total Collections	4,453,568	2,876,707	7,330,275	
Taxes Receivable, End of Year	\$ 85,539	\$ 42,183	\$ 127,722	
Taxes Receivable, By Years				
2018	\$ 32,969	\$ 21,356	\$ 54,325	
2017	12,549	3,462	16,011	
2016	7,046	2,270	9,316	
2015 and prior	32,975	15,095	48,070	
Taxes Receivable, End of Year	\$ 85,539	\$ 42,183	\$ 127,722	
	2018	2017	2016	2015
Property Valuations:				
Land	\$ 1,079,760,892	\$ 1,075,362,472	\$ 1,072,346,872	\$ 1,052,871,003
Improvements	4,154,761,509	4,101,175,463	4,024,485,087	3,779,301,938
Personal Property	369,433,074	359,566,747	334,884,853	332,948,898
Exemptions	(530,443,132)	(553,955,574)	(621,810,958)	(614,982,859)
Total Property Valuations	\$ 5,073,512,343	\$ 4,982,149,108	\$ 4,809,905,854	\$ 4,550,138,980
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.088	\$ 0.087	\$ 0.0807	\$ 0.087
Debt service tax rates	0.057	0.024	0.0260	0.023
Total Tax Rates per \$100 Valuation	\$ 0.145	\$ 0.111	\$ 0.1067	\$ 0.110
Adjusted Tax Levy:	\$ 7,356,189	\$ 5,530,186	\$ 5,132,170	\$ 5,005,153
Percentage of Taxes Collected to Taxes Levied **	99.26%	99.71%	99.82%	99.86%

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

** Calculated as taxes collected for a tax year divided by taxes levied for that tax year.
See accompanying auditors' report.

*Fort Bend County Levee Improvement District No. 2
 TSI-5. Long-Term Debt Service Requirements
 Series 2012--by Years
 September 30, 2019*

Due During Fiscal Years Ending	Principal Due April 1	Interest Due April 1, October 1	Total
2020	\$ 660,000	\$ 305,152	\$ 965,152
2021	690,000	289,928	979,928
2022	715,000	272,365	987,365
2023	745,000	252,253	997,253
2024	775,000	229,453	1,004,453
2025	805,000	205,753	1,010,753
2026	840,000	180,658	1,020,658
2027	875,000	153,419	1,028,419
2028	910,000	124,413	1,034,413
2029	950,000	93,000	1,043,000
2030	985,000	59,138	1,044,138
2031	1,025,000	31,650	1,056,650
2032	1,070,000	10,700	1,080,700
	<u>\$ 11,045,000</u>	<u>\$ 2,207,882</u>	<u>\$ 13,252,882</u>

See accompanying auditors' report.

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

<u>Due During Fiscal Years Ending</u>	<u>Principal Due April 1</u>	<u>Interest Due April 1, October 1</u>	<u>Total</u>
2020	\$ 375,000	\$ 1,468,125	\$ 1,843,125
2021	375,000	1,449,375	1,824,375
2022	375,000	1,430,625	1,805,625
2023	375,000	1,411,875	1,786,875
2024	375,000	1,393,125	1,768,125
2025	375,000	1,378,125	1,753,125
2026	375,000	1,366,875	1,741,875
2027	660,000	1,351,350	2,011,350
2028	680,000	1,331,250	2,011,250
2029	690,000	1,310,700	2,000,700
2030	715,000	1,289,625	2,004,625
2031	725,000	1,268,025	1,993,025
2032	725,000	1,246,275	1,971,275
2033	1,850,000	1,207,650	3,057,650
2034	1,915,000	1,151,175	3,066,175
2035	1,975,000	1,092,825	3,067,825
2036	2,040,000	1,032,600	3,072,600
2037	2,105,000	970,425	3,075,425
2038	2,175,000	906,225	3,081,225
2039	2,245,000	839,925	3,084,925
2040	2,315,000	771,525	3,086,525
2041	2,395,000	700,875	3,095,875
2042	2,470,000	627,900	3,097,900
2043	2,550,000	552,600	3,102,600
2044	2,635,000	474,825	3,109,825
2045	2,720,000	394,500	3,114,500
2046	2,805,000	311,625	3,116,625
2047	2,900,000	226,050	3,126,050
2048	2,995,000	137,625	3,132,625
2049	3,090,000	46,350	3,136,350
	<u>\$ 48,000,000</u>	<u>\$ 29,140,050</u>	<u>\$ 77,140,050</u>

See accompanying auditors' report.

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

<u>Due During Fiscal Years Ending</u>	<u>Principal Due April 1</u>	<u>Interest Due April 1, October 1</u>	<u>Total</u>
2020	\$ 1,035,000	\$ 1,773,277	\$ 2,808,277
2021	1,065,000	1,739,303	2,804,303
2022	1,090,000	1,702,990	2,792,990
2023	1,120,000	1,664,128	2,784,128
2024	1,150,000	1,622,578	2,772,578
2025	1,180,000	1,583,878	2,763,878
2026	1,215,000	1,547,533	2,762,533
2027	1,535,000	1,504,769	3,039,769
2028	1,590,000	1,455,663	3,045,663
2029	1,640,000	1,403,700	3,043,700
2030	1,700,000	1,348,763	3,048,763
2031	1,750,000	1,299,675	3,049,675
2032	1,795,000	1,256,975	3,051,975
2033	1,850,000	1,207,650	3,057,650
2034	1,915,000	1,151,175	3,066,175
2035	1,975,000	1,092,825	3,067,825
2036	2,040,000	1,032,600	3,072,600
2037	2,105,000	970,425	3,075,425
2038	2,175,000	906,225	3,081,225
2039	2,245,000	839,925	3,084,925
2040	2,315,000	771,525	3,086,525
2041	2,395,000	700,875	3,095,875
2042	2,470,000	627,900	3,097,900
2043	2,550,000	552,600	3,102,600
2044	2,635,000	474,825	3,109,825
2045	2,720,000	394,500	3,114,500
2046	2,805,000	311,625	3,116,625
2047	2,900,000	226,050	3,126,050
2048	2,995,000	137,625	3,132,625
2049	3,090,000	46,350	3,136,350
	<u>\$ 59,045,000</u>	<u>\$ 31,347,932</u>	<u>\$ 90,392,932</u>

See accompanying auditors' report.

Fort Bend County Levee Improvement District No. 2
TSI-6. Change in Long-Term Bonded Debt
September 30, 2019

	Bond Issue		Totals
	Series 2012	Series 2019	
Interest rate	2.0% - 4.5%	3.0% - 5.0%	
Dates interest payable	4/1; 10/1	4/1; 10/1	
Maturity dates	4/1/13 - 4/1/32	4/1/20 - 4/1/49	
Beginning bonds outstanding	\$ 11,680,000	\$ -	\$ 11,680,000
Bonds issued		48,000,000	48,000,000
Bonds retired	(635,000)		(635,000)
Ending bonds outstanding	<u>\$ 11,045,000</u>	<u>\$ 48,000,000</u>	<u>\$ 59,045,000</u>
Interest paid during fiscal year	<u>\$ 321,277</u>	<u>\$ 492,500</u>	<u>\$ 813,777</u>

Paying agent's name and city
All Series

Bank of New York Mellon Trust Company, N.A., Dallas, TX

	Levee and Drainage Bonds and Refunding	Refunding Bonds
	Bond Authority:	
Amount Authorized by Voters	\$ 189,720,000	\$ 4,770,000
Amount Issued	(101,720,000)	(4,770,000)
Remaining To Be Issued	<u>\$ 88,000,000</u>	<u>\$ -</u>

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

Debt Service Fund cash and investments balances as of September 30, 2019: \$ 1,777,037

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 3,013,098

See accompanying auditors' report.

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Fort Bend County Levee Improvement District No. 2

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

For the Last Five Fiscal Years

	Amounts				
	2019	2018	2017	2016	2015
Revenues					
Property taxes	\$ 4,454,848	\$ 4,322,753	\$ 3,868,897	\$ 3,924,940	\$ 3,931,332
FEMA grants	96,329	95,853			
Miscellaneous	47,711	84,904	32,529		
Investment earnings	298,364	242,534	102,409	40,681	24,789
Total Revenues	<u>4,897,252</u>	<u>4,746,044</u>	<u>4,003,835</u>	<u>3,965,621</u>	<u>3,956,121</u>
Expenditures					
Operating and administrative					
Purchased services	1,140	672	259	179	233
Professional fees	460,380	729,761	469,474	455,671	556,604
Contracted services	1,087,717	1,095,312	775,019	815,783	801,762
Repairs and maintenance	1,359,025	1,347,960	1,034,359	1,143,692	1,022,270
Utilities	75,630	77,451	59,163	69,700	62,969
Administrative	196,602	161,690	136,420	161,551	182,251
Other	8,779	13,980	26,252	19,673	19,158
Capital outlay	8,196,046	1,942,550	2,380,870	5,601,508	702,129
Total Expenditures	<u>11,385,319</u>	<u>5,369,376</u>	<u>4,881,816</u>	<u>8,267,757</u>	<u>3,347,376</u>
Revenues Over/(Under) Expenditures	<u>\$ (6,488,067)</u>	<u>\$ (623,332)</u>	<u>\$ (877,981)</u>	<u>\$ (4,302,136)</u>	<u>\$ 608,745</u>

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2019	2018	2017	2016	2015
91%	91%	96%	99%	99%
2%	2%			
1%	2%	1%		
6%	5%	3%	1%	1%
100%	100%	100%	100%	100%
*	*	*	*	*
9%	15%	12%	11%	14%
22%	23%	19%	21%	20%
28%	28%	26%	29%	26%
2%	2%	1%	2%	2%
4%	3%	3%	4%	5%
*	*	1%	*	*
167%	41%	59%	141%	18%
232%	112%	121%	208%	85%
(132%)	(12%)	(21%)	(108%)	15%

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

	Amounts				
	2019	2018	2017	2016	2015
Revenues					
Property taxes	\$ 2,866,817	\$ 1,192,750	\$ 1,245,708	\$ 1,029,453	\$ 1,032,983
Penalties and interest	60,853	48,453	46,722	49,511	50,971
Investment earnings	42,367	11,849	5,677	2,138	495
Total Revenues	<u>2,970,037</u>	<u>1,253,052</u>	<u>1,298,107</u>	<u>1,081,102</u>	<u>1,084,449</u>
Expenditures					
Tax collection services	174,968	170,686	147,367	151,289	142,445
TIRZ participation	282,833	196,757	163,797	153,125	159,294
Debt service					
Principal	635,000	610,000	585,000	565,000	540,000
Debt interest and fees	707,569	343,503	368,865	395,240	419,103
Total Expenditures	<u>1,800,370</u>	<u>1,320,946</u>	<u>1,265,029</u>	<u>1,264,654</u>	<u>1,260,842</u>
Revenues Over/(Under) Expenditures	<u>\$ 1,169,667</u>	<u>\$ (67,894)</u>	<u>\$ 33,078</u>	<u>\$ (183,552)</u>	<u>\$ (176,393)</u>
Total Active Retail Water Connections	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total Active Retail Wastewater Connections	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2019	2018	2017	2016	2015
97%	95%	96%	95%	95%
2%	4%	4%	5%	5%
1%	1%	*	*	*
100%	100%	100%	100%	100%
6%	14%	11%	14%	13%
10%	16%	13%	14%	15%
21%	49%	45%	52%	50%
24%	27%	28%	37%	39%
61%	106%	97%	117%	117%
39%	(6%)	3%	(17%)	(17%)

Fort Bend County Levee Improvement District No. 2
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended September 30, 2019

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, TX 77027
District Business Telephone Number: (713) 860-6400
Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): September 20, 2019
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
Board Members				
Bryan K. Chapline	4/18 to 4/22	\$ 3,600	\$ -	President
Sam Galyon	9/19 to 9/23			Vice President
Rashid Khokhar	9/19 to 9/23			Secretary
Glen R. Gill	7/16 to 7/20	7,200	16,040	Director
Andre D. McDonald	7/16 to 7/20	7,200	12,919	Director
Consultants				
Allen Boone Humphries Robinson LLP	2003	Amounts Paid		Attorney
<i>General legal fees</i>		\$ 221,381		
<i>Bond counsel</i>		520,070		
LID Solutions	2017	457,628		Operator
Storm Water Solutions	2013	39,159		Former Operator
McLennan & Associates	2004	48,903		Bookkeeper
Bob Leared Interests	1978	92,440		Tax Collector
Fort Bend Central Appraisal District	Legislation	51,834		Property Valuation
Perdue, Brandon, Fielder, Collins, & Mott, L.L.P.	1990	17,638		Delinquent Tax Attorney
LJA Engineering, Inc.	2018	361,911		Engineer
Costello, Inc.	1997	3,289		Former Engineer
McGrath & Co., PLLC	Annual	15,100		Auditor
Masterson Advisors, LLC	2018	649,919		Financial Advisor
Mike Stone Associates	2005	438,894		Construction/General Manager

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