OFFICIAL STATEMENT DATED SEPTEMBER 8, 2021

IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW, AND INTEREST ON 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 are NOT "qualified tax-exempt obligations for financial institutions."

NEW ISSUE – Book-Entry-Only

Underlying Ratings: Moody's: "Aa2"
Standard & Poor's: "AA-"
(See "MUNICIPAL BOND RATING" herein)

$18,000,000
FORT BEND COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

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

Unlimited Tax Bonds, Series 2021

Dated: October 14, 2021 **Due: September 1, as shown below**

The Bonds will be issued in fully registered form only, in denominations of $5,000 or any integral multiple of $5,000. Principal of and interest on the Bonds will be payable by The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent" or "Registrar"). Interest accrues on the Bonds from October 14, 2021, and is payable on March 1, 2022, and each September 1 and March 1 thereafter until maturity or redemption. Interest will be calculated on the basis of a 360-day year of twelve 30-day months.

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. See "THE BONDS – Book-Entry-Only System."

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Due (September 1)	Principal Amount	Interest Rate [a]	Initial Reoffering Yield [b]	CUSIP Nos. [c] 346820	Due (September 1)	Principal Amount	Interest Rate [a]	Initial Reoffering Yield [b]	CUSIP Nos. [c] 346820
2022	$100,000	2.000%	0.200%	VK6	2029	$100,000 [d]	1.000%	1.400%	VS9
2023	100,000	2.000%	0.300%	VL4	2030	100,000 [d]	1.375%	1.500%	VT7
2024	100,000	2.000%	0.400%	VM2	2031	100,000 [d]	1.500%	1.600%	VU4
2025	100,000	2.000%	0.550%	VN0					
2026	100,000	2.000%	0.700%	VP5	2045	5,265,000 [d]	2.300%	2.420%	WJ8
2027	100,000 [d]	2.000%	0.850%	VQ3	2046	5,385,000 [d]	2.375%	2.500%	WK5
2028	100,000 [d]	1.000%	1.200%	VR1					

$500,000 Term Bond due September 1, 2036 [d] [e] Interest Rate 2.000% Initial Yield 2.000% [b] CUSIP No. 346820VZ3 [c]
$500,000 Term Bond due September 1, 2041 [d] [e] Interest Rate 2.250% Initial Yield 2.250% [b] CUSIP No. 346820WE9 [c]
$5,350,000 Term Bond due September 1, 2044 [d] [e] Interest Rate 2.250% Initial Yield 2.370% [b] CUSIP No. 346820WH2 [c]

(a) After requesting competitive bids for purchase of the Bonds, the District has accepted the lowest net effective interest rate bid to purchase the Bonds, bearing interest as shown, at a price of 97.313946% of par, resulting in a net effective interest rate to the District of 2.413699%.
(b) The initial reoffering yields on the Bonds are established by, and are the sole responsibility of the Initial Purchaser (herein defined), and may subsequently be changed. Initial yields on premium Bonds are calculated to the earlier of maturity or the first optional call date.
(c) CUSIP numbers have been assigned to the Bonds by Standard & Poor's CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc., and are included solely for the convenience of the owners of the Bonds.
(d) Bonds maturing on September 1, 2027, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on September 1, 2026, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions."
(e) In addition to being subject to optional redemption, as described above, the Term Bonds (as hereinafter defined) are also subject to mandatory redemption by lot or other customary random selection method on September 1 in the years and in the amounts set forth herein under the caption "THE BONDS – Redemption Provisions."

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

The Bonds are offered when, as and if issued, subject to approval of legality by the Attorney General of the State of Texas and by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by Norton Rose Fulbright US LLP, as Disclosure Counsel. The Bonds are expected to be available for delivery on October 14, 2021, in Houston, Texas.

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Fort Bend County Water Control & Improvement District No. 2 (the "District") of its Unlimited Tax Bonds, Series 2021 (the "Bonds").

The Bonds are issued pursuant to Article XVI, Section 59 of the Constitution, the general laws of the State of Texas, particularly Chapters 49 and 51, Texas Water Code, as amended, an order of the Texas Commission on Environmental Quality (the "Commission" or "TCEQ"), an election held within the District, and a resolution (the "Bond Resolution") adopted by the Board of Directors of the District, a political subdivision of the State of Texas.

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

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OFFICIAL STATEMENT SUMMARY

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

The District .... Fort Bend County Water Control and Improvement District No. 2 (the “District”), created in 1946, is a political subdivision of the State of Texas located in Fort Bend and Harris Counties, approximately 15 miles southwest of the downtown business district of the City of Houston, Texas. The District contains approximately 7,276.49 acres of land and includes substantially all of the area in the City of Stafford and a large portion of the area in the City of Missouri City, approximately 60 acres in the City of Sugar Land, and approximately 70 acres located in the City of Houston. The District also includes and serves certain unincorporated areas. The District provides water and wastewater services to the area within its boundaries. As of June 24, 2021, the District had 7,272 metered water and sewer connections. See “THE DISTRICT.”

The Bonds .... $18,000,000 Unlimited Tax Bonds, Series 2021 (the “Bonds”), are issued pursuant to a resolution of the District’s Board of Directors (the “Bond Resolution”). The Bonds are issued as serial bonds (the “Serial Bonds”) maturing annually on September 1, 2022 through 2031 and 2045 through 2046, inclusive, and as term bonds (the “Term Bonds”) maturing on September 1, 2036, 2041, and 2044. The Serial Bonds and the Term Bonds are collectively referred to herein as the “Bonds”. Interest on the Bonds is payable on each March 1 and September 1 beginning March 1, 2022. Bonds maturing on and after September 1, 2027 are subject to redemption and payment at the option of the District, in whole or from time to time in part, prior to their scheduled maturities on September 1, 2026, and on any date thereafter. The Bonds are offered in fully registered form in integral multiples of $5,000 principal amount. See “THE BONDS.”

Infectious Disease Outbreak (COVID-19) .... In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus (“COVID-19”) to be a public health emergency. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State of Texas (the “State”) because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to the Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings and other activities.

Over the ensuing year, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the State. Following the widespread release and distribution of various COVID-19 vaccines in 2021 and a decrease in active COVID-19 cases generally in the United States, state governments (including Texas) have started to lift business and social limitations associated with COVID-19. Beginning in March 2021, the Governor issued various executive orders, which, among other things, rescinded and superseded prior executive orders and provide that there are currently no COVID-19 related operating limits for any business or other establishment except in counties with an "area with high hospitalizations" where a county judge may impose COVID-19 related mitigation strategies. Harris County is not currently an "area with high hospitalizations." The Governor retains the right to impose additional restrictions on activities if needed in order to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this OFFICIAL STATEMENT.

With the decrease in the number of active COVID-19 cases and the easing or removal of associated governmental restrictions, economic activity has increased. However, there are no assurances that such increased economic activity will continue or continue at the same rate, especially if there are future outbreaks of COVID-19. The District has not experienced any decrease in property values, unusual tax delinquencies or interruptions to any service as a result of COVID 19; however, the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and reinstitution of restrictions. See "INVESTMENT CONSIDERATIONS—Infectious Disease Outlook (COVID-19)."

Tax-Exemption....................... In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes, and interest on the Bonds is not subject to the alternative tax on individuals. See "TAX MATTERS" herein for a discussion of Bond Counsel's opinions.

Authorized but Unissued Bonds....................... The District held an election on November 4, 2014, at which the issuance of $70,000,000 in principal amount of unlimited tax bonds for water and wastewater facilities and refunding of such bonds was approved by the voters of the District, of which $30,255,000 remains authorized but unissued prior to the issuance of the Bonds. After the issuance of the Bonds, $12,255,000 in principal amount will remain authorized but unissued from the 2014 election. The District also held an election on May 1, 2021, at which the issuance of an additional $150,000,000 in principal amount of unlimited tax bonds for water and wastewater facilities and $25,000,000 for refunding bonds was approved by the voters of the District, all of which remains authorized but unissued.

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

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

Not Qualified Tax-Exempt Obligations................................. The Bonds are not "qualified tax-exempt obligations" within the meaning of pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended.

Authority for Issuance .... The Bonds are issued by the District pursuant to the terms and conditions of the Bond Resolution; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 51 of the Texas Water Code, as amended; an election held in the District; and an Order of the Texas Commission on Environmental Quality ("TCEQ" or the "Commission"). See "THE BONDS – Authority for Issuance" and "– Issuance of Additional Debt" and "INVESTMENT CONSIDERATIONS – Future Debt."

Use of Proceeds....................... Proceeds from the sale of the Bonds will be used to (i) reimburse developers within the District for the following projects: (1) Lift Station No. 27; (2) Water and Sanitary Sewer to Serve the Stafford Groves Development – Phase 1; (3) Water and Sanitary Sewer to Serve the Stafford Groves Development – Phase II; (4) Lift Station No. 28 and Force Main; and (5) land costs for Lift Station No. 27; and to pay developer interest on such funds advanced to or on behalf of the District; and ii) to pay for (1) a portion of the construction costs for Wastewater Treatment Plant No. 2 – 2.0 MGD; (2) design of Surface Water Treatment Plant Expansion to 6.0 MGD; and (3) to pay for costs of issuance of the Bonds. See "SOURCES AND USES OF FUNDS".

Book-Entry-Only...................... The Bonds are initially issuable in book-entry-only form and, when issued, will be registered in the name of Cede & Co., as nominee of the Depository Trust Company, which will act as securities depository. Beneficial owners of the Bonds will not receive physical delivery of bond certificates. See "THE BONDS – Book-Entry-Only System."

Payment Record...................... The District has never defaulted in the payment of principal of or interest on its bonds.

Legal Opinion .... Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel.

Engineers .... Mr. Jason Kirby, P.E., District Engineer
Jones & Carter, Inc., Consulting Engineers, Houston, Texas.

Disclosure Counsel .... Norton Rose Fulbright US LLP, Houston, Texas.

Financial Advisor .... RBC Capital Markets, LLC, Houston, Texas.

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

SELECTED FINANCIAL INFORMATION SUMMARY

(Unaudited as of August 2021)

2020 Certified Assessed Valuation		$4,364,275,423	(a)
2021 Certified Assessed Valuation		$4,871,540,557	(b)
Direct Debt Outstanding			
Outstanding Bonds	$93,080,000		
Plus: The Bonds	18,000,000		
Total		$ 111,080,000	
Estimated Overlapping Debt		$212,716,268	
Total Direct Debt and Estimated Overlapping Debt		$323,796,268	
Ratio of Direct Debt to 2021 Certified Assessed Valuation		2.28%	
Ratio of Estimated Overlapping and Direct Debt to 2021 Certified Assessed Valuation		6.65%	

2021 Tax Rate [c]		
Debt Service	$0.2125	$0.2125
Maintenance & Operations	0.0000	0.0000
Defined Area Tax [d]	-	0.5150
Total	$0.2125 [e]	$0.7275

Tax Collections		
Average percentage of current tax collections – Tax Years (2015 – 2019)	99.55%	
Average Annual Debt Service Requirement (2021 – 2046) including the Bonds ("Average Requirement")	$6,410,089	
Maximum Annual Debt Service Requirement (2022) including the Bonds ("Maximum Requirement")	$6,945,201	
Tax rate required to pay Average Requirement based upon 2021 Certified Assessed Valuation at 95% Collections	$0.14/$100 A.V.	
Tax Rate required to pay the Maximum Requirement based upon 2021 Certified Assessed Valuation at 95% Collections	$0.16/$100 A.V.	
Number of metered water and sewer connections as of June 24, 2021:		
Single Family-Active	5,463	
Single Family-Inactive	86	
Multi-family-Active	94	
Multi-family-Inactive	3	
Commercial and Industrial-Active	1,014	
Commercial and Industrial-Inactive	56	
Other-Active	540	
Other-Inactive	16	
Total	7,272	
Estimated 2021 Population	19,356	(f)

(a) Net of exemptions; $4,257,750,412 as certified by the Fort Bend Central Appraisal District ("FBCAD") as of July 22, 2021 and $106,525,011 as certified by the Harris County Appraisal District ("HCAD") as of June 15, 2021. See "TAXING PROCEDURES."

(b) Net of exemptions; $4,746,222,664 as certified by the FBCAD as of July 16, 2021 and $125,317,893 as certified by the HCAD as of August 20, 2021. Does not include the value of certain properties which has been proposed by the Appraisal District but protested by the owners thereof and the value of certain properties not under protest not as of yet certified. See "TAXING PROCEDURES."

(c) Anticipated Tax Rate. The District has authorized publication of the tax rates shown and will consider and levy its 2021 tax rates on September 22, 2021.

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

(e) Total tax rate within the District excluding the Defined Area Tax Rate. See "THE DISTRICT – Defined Area."

(f) Based on 3.5 residents per single family active connection and 2.5 residents per multi-family unit.

OFFICIAL STATEMENT

Relating to

$18,000,000

FORT BEND COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2 UNLIMITED TAX BONDS, SERIES 2021

INTRODUCTION

The Official Statement provides certain information in connection with the issuance of the Fort Bend County Water Control and Improvement District No. 2 Unlimited Tax Bonds, Series 2021 (the "Bonds").

The Bonds are issued pursuant to the Constitution and laws of the State of Texas, particularly Article XVI, Section 59 of the Constitution, Chapters 49 and 51, Texas Water Code as amended, the District's November 4, 2014, bond election, and pursuant to a resolution (the "Bond Resolution") adopted by the Board of Directors of Fort Bend County Water Control & Improvement District No. 2 (the "District"), a political subdivision of the State of Texas containing approximately 7,276.49 acres in Fort Bend and Harris Counties, Texas, including substantially all of the area of the City of Stafford, a large portion of the area in the City of Missouri City, approximately 60 acres in the City of Sugar Land, and approximately 70 acres located in the City of Houston.

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

THE BONDS

General

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

Description

The Bonds will be dated and accrue interest from, October 14, 2021, with interest on the Bonds payable on March 1, 2022, and on each September 1 and March 1 thereafter (each "Interest Payment Date") until maturity, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds are serial bonds maturing on September 1 of the years and in the amounts shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS" on the cover page hereof. The Bonds are issued in fully registered form only in denominations of $5,000 or any integral multiple of $5,000 for any one maturity. The Bonds will be initially registered and delivered only to The Depository Trust Company, New York, New York ("DTC"), in its nominee name of Cede & Co., pursuant to the book-entry system described herein. No physical delivery of the Bonds will be made to the purchasers thereof. See "Book-Entry-OnlySystem."

Book-Entry-Only System

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

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities

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

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

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

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

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement

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

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

Effect of Termination of Book-Entry-Only System

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

Source of Payment

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

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

Funds

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

No Arbitrage

The District certifies that based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed thereunder. Moreover, the District covenants that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds, and take such other and further actions and follow such procedures, including without limitation, calculating the yield on the Bonds as may be required so that the Bonds shall not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

Redemption Provisions

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2027, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of $5,000, on September 1, 2026, or any date thereafter, at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be determined by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random method (or by DTC in accordance with its procedures, while the Bonds are in book-entry only form). If a Bond subject to redemption is in a denomination larger than $5,000, a portion of such Bond may be redeemed, but only in integral multiples of $5,000.

Mandatory Redemption: The Term Bonds due on September 1 in the years 2036, 2041, and 2044 also are subject to mandatory sinking fund redemption by the District by lot or other customary random method prior to scheduled maturity on September 1 in the years ("Mandatory Redemption Dates") and in the amounts set forth below, at a redemption price of par plus accrued interest to the date of redemption:

Term Bond 2036 – $500,000

Year of Redemption	Principal Amount
2032	$100,000
2033	100,000
2034	100,000
2035	100,000
2036 (maturity)	100,000

Term Bond 2041 – $500,000

Year of Redemption	Principal Amount
2037	$100,000
2038	100,000
2039	100,000
2040	100,000
2041 (maturity)	100,000

Term Bond 2044 – $5,350,000

Year of Redemption	Principal Amount
2042	$100,000
2043	100,000
2044 (maturity)	5,150,000

On or before 30 days prior to each Mandatory Redemption Date set forth above, the Registrar shall (i) determine the principal amount of such Term Bond that must be mandatorily redeemed on such Mandatory Redemption Date, after taking into account deliveries for cancellation and optional redemptions as more fully provided for below, (ii) select by lot or other customary random method, the Term Bond or portions of the Term Bond of such maturity to be mandatorily redeemed on such Mandatory Redemption Date, and (iii) give notice of such redemption as provided in the Bond Resolution. The principal amount of any Term Bond to be mandatorily redeemed on such Mandatory Redemption Date shall be reduced by the principal amount of such Term Bond which, by the 45th day prior to such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the District to the Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

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

Method of Payment of Principal and Interest

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

Authority for Issuance

The District held an election on November 4, 2014, and the issuance of $70,000,000 in principal amount of unlimited tax bonds for water and wastewater facilities and refunding of such bonds was approved by the voters of the District, of which $12,255,000 will remain authorized but unissued after the issuance of the Bonds. The Bonds are issued pursuant to such authorization.

The Bonds are issued by the District pursuant to the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 51 of the Texas Water Code, as amended, an election held within the District on November 4, 2014, an order of the Commission, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

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

Registration and Transfer

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

In the event the Book-Entry-Only System is discontinued, each Bond shall be transferable only upon the presentation and surrender of such Bond at the principal payment office of the Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or authorized representative in form satisfactory to the Registrar. Upon due presentation of any Bond in proper form for transfer, the Registrar has been directed by the District to authenticate and deliver in exchange therefor, within three (3) business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and paying interest at the same rate as the Bond so presented.

All Bonds shall be exchangeable upon presentation and surrender thereof at the principal payment office of the Registrar for a Bond of the same maturity and interest rate and in any authorized denomination in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Registrar is authorized to authenticate and deliver exchange Bonds. Each Bond delivered shall be entitled to the benefits and security of the Bond Resolution to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

Neither the District nor the Registrar shall be required to transfer or to exchange any Bond during the period beginning on a Record Date and ending on the next succeeding Interest Payment Date or to transfer or exchange any Bond called for redemption during the thirty (30) day period prior to the date fixed for redemption of such Bond.

The District or the Registrar may require the Registered Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Registrar for such transfer or exchange shall be paid by the District.

Replacement of Registrar

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

Replacement of Bonds

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

Issuance of Additional Debt

The District held an election on November 4, 2014, at which the issuance of $70,000,000 principal amount of unlimited tax bonds for water and wastewater facilities and refunding of such bonds was approved by the voters of the District. After the issuance of the Bonds, $12,255,000 in principal amount will remain authorized but unissued from the 2014 election. The District also held an election on May 1, 2021, at which the issuance of an additional $150,000,000 in principal amount of unlimited tax bonds for water and wastewater facilities and $25,000,000 for refunding bonds was approved by the voters of the District, all of which remains authorized but unissued. The District may issue additional bonds, with the approval of the Commission (other than refunding bonds, which do not require Commission approval), necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. See "THE DISTRICT – General." Moreover, the District's voters could authorize the issuance of additional unlimited tax bonds. Any additional bonds sold would be on parity with the Bonds.

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

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

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) preparation of a detailed park plan; (b) authorization of park bonds by the qualified voters in the District; (c) approval of the park plan and bonds by the Commission; and (d) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District unless, effective June 14, 2021, the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent but not three percent of the value of the taxable property in the District. The Board has not considered authorizing the preparation of a park plan or calling a park bond election at this time.

Dissolution and Consolidation

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

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

Remedies in Event of Default

Other than a writ of mandamus, the Bond Resolution does not provide a specific remedy for a default. If the District defaults, a Registered Owner could petition for a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the District and the District's officials to observe and perform the covenants, obligations or conditions prescribed in the Bond Resolution. Such remedy might need to be enforced on a periodic basis.

The enforcement of a claim for payment on the Bonds would be subject to the applicable provisions of the federal bankruptcy laws, any other similar laws affecting the rights of creditors of political subdivisions, and general principles of equity. Certain traditional legal remedies may not be available. See "INVESTMENT CONSIDERATIONS – Registered Owners' Remedies" and "– Bankruptcy Limitation to Registered Owners' Rights."

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

The Bond Resolution provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State 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 investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

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

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

SOURCES AND USES OF FUNDS

Proceeds from the sale of the Bonds will be used to reimburse developers within the District and to pay for the following projects. The District will also use proceeds of the Bonds to pay for costs of issuance of the Bonds.

Construction Costs		Amount
A. Developer Contribution Items		
1	Lift Station No. 27	$754,705
2	Water and Sanitary Sewer to Serve the Stafford Groves Development - Phase 1	926,063
3	Water and Sanitary Sewer to Serve the Stafford Groves Development - Phase II	1,016,731
4	Lift Station No. 28 and Force Main	465,985
5	Land Costs for Lift Station No. 27	53,048
6	Engineering & Testing (Item Nos. 1-4)	591,173
Total Developer Contribution Items		**$3,807,705**
B. District Items		
1	Wastewater Treatment Plant No. 2 – 2.0 MGD	$9,097,000
2	Surface Water Treatment Plant Expansion to 6.0 MGD – Engineering and Administrative Costs	3,500,000
Total District Items		**$12,597,000**
TOTAL CONSTRUCTION COSTS		**$16,404,705**
Non-Construction Costs		
A.	Legal Fees	$220,000
B.	Bond Issuance Expenses	75,900
C.	Fiscal Agent Fees	195,000
D.	Bond Discount	483,490
E.	Developer Interest	469,895
F.	TCEQ Bond Issuance Fee	45,000
G.	Attorney General Fee	9,500
H.	Bond Application Report	40,000
I.	Contingency [(a)]	56,510
TOTAL NON-CONSTRUCTION COSTS		**$1,595,295**
TOTAL BOND ISSUANCE REQUIREMENT		**$18,000,000**

(a) Contingency represents the difference between the estimated and actual bond discount.

THE DISTRICT

General

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

Description and Location

The District contains approximately 7,276.49 acres of land, substantially all of which (approximately 7,121 acres) is located in northeast Fort Bend County. A portion of the District (approximately 147 acres) is located in southwest Harris County. The District is approximately 15 miles southwest of the downtown business district of the City of Houston, and includes substantially all of the City of Stafford, a portion of the City of Missouri City, approximately 60 acres of the City of Sugar Land, and approximately 70 acres of the City of Houston. The District also includes certain unincorporated areas. U.S. Highway 90A ("South Main"), an eight-lane major thoroughfare, bisects the District from east to west, Murphy Road (FM 1092) is a major thoroughfare passing north to south through the middle of the District, and U.S. Highway 59 (the "Southwest Freeway") traverses the northern portion of the District. Beltway 8, a major freeway encircling Houston, passes adjacent to the northeast boundary of the District.

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

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

Economic Activity

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

Area Business and Industry

The following businesses are the largest employers in the District.

United Parcel Service "UPS," a 250,000 square foot regional distribution center, employs approximately 1,100 people.

Anderson, Greenwood & Co, a specialty valve manufacturer, occupies a 155,000 square foot facility in Stafford. The Company's headquarters is located at this facility in Stafford. The facility employs approximately 450 people.

Input/Output, a manufacturer of seismic data equipment employs approximately 365 people. Their company's world headquarters is located at this facility in the City of Stafford. Input/Output's campus is located a few blocks from the Southwest Freeway, giving the area a significant core of high-tech engineering and manufacturing talent. See "TAXING PROCEDURES – Tax Abatement Agreements."

Personix, a plastic card embossing company, occupies a 122,000 square foot facility and employs approximately 300 people.

Tadiran Microwave Networks, a manufacture/supplier of microwave radio equipment, employs approximately 200 people.

Defined Area

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

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

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

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

The Authority may issue bonds, secured by the District's annual payment and the special revenue fund, and may pledge and assign all or part of the annual payment and the special revenue fund to a developer, pursuant to a developer financing agreement between the developer and the Authority. The bonds shall be solely the obligation of the Authority and not obligations or indebtedness of the District, as provided by the terms of the Contract. The Authority has issued $4,620,000 of contract revenue road bonds payable from the Defined Area tax revenue remitted to the Authority.

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

Community Facilities

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

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

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

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

Schools: The District lies within the boundaries of the Stafford Municipal School District and the Fort Bend Independent School District. Students residing within Stafford MSD may attend the following state-accredited schools: Stafford Elementary; Stafford Junior High; or Stafford High School. Fort Bend Independent School District students residing in the District may attend the following state accredited schools located within the District: E. A. Jones Elementary, Missouri City Junior High, John Foster Dulles Elementary, Junior and Senior High School. Houston Community College Southwest also lies within the District.

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

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

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

Fort Bend Economic Development Council

The Fort Bend Economic Development Council is a county-wide coalition of area organizations, local governments, businesses, and chambers of commerce organized to help facilitate the economic growth and diversity of Fort Bend County. The Council, formed in April, 1986, publishes reports detailing the County's economic and demographic make-up. The Council also aids in the recruitment and establishment of industry and business in Fort Bend County. The District is a trustee member of the Fort Bend Economic Development Council.

THE SYSTEM

Water and Wastewater System

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

Source of Water Supply: The District is presently serviced by five groundwater water plants and one surface water plant with an aggregate production capacity of 14,182 gallons per minute ("gpm"), booster pump capacity of 26,980 gpm (with largest unit out of service), and a total ground and elevated storage capacity of 11,160,000 gallons. Currently raw surface water is provided through a long term contract (through 2045) with the Gulf Coast Water Authority for 10.5 million gallons per day. The District's engineer (the "Engineer"), states that these water supply facilities are sufficient to serve approximately 23,636 equivalent single family connections. Further growth within the District will require the expansion of the District's water system. The District currently serves 7,300 metered connections which is approximately 18,767 existing equivalent single family connections. It is anticipated that a water system expansion would be financed by the issuance of additional bonds.

Source of Wastewater Treatment: The District owns and operates a permanent wastewater treatment plant with a present capacity totaling 6,000,000 gallons per day ("gpd"). The District's 6,000,000 gpd Wastewater Treatment Plant No. 1 is sufficient to serve 15,000 connections. Wastewater Treatment Plant No. 2 would add ability to serve an additional 5,000 connections for a total anticipated ability to serve 20,000 connections upon completion of Wastewater Treatment Plant No. 2. Further growth within the District requires an expansion of the District's wastewater treatment system. A second wastewater treatment plant to provide an additional 2,000,000 gpd is under construction and is expected to be operational in approximately the first quarter of 2022.

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

100-Year Flood Plain

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. The District does not own or operate any storm water drainage facilities. All stormwater facilities are owned and operated by the City of Stafford, City of Missouri City, City of Houston, City of Sugar Land, Harris County Flood Control District, or Fort Bend County Drainage District.

DISTRICT BONDS AUTHORIZED BUT UNISSUED

Date of Authorization	Purpose	Authorized	Issued To Date		Amount Unissued
11/04/2014	Water and Wastewater and Refunding	$70,000,000	$57,745,000	(a)	$12,255,000
05/01/2021	Water and Sewer	150,000,000	0		150,000,000
05/01/2021	Refunding Water and Sewer	25,000,000	0		25,000,000

(a) Includes the Bonds.

SELECTED FINANCIAL INFORMATION

(Unaudited as of August 2021)

2020 Certified Assessed Valuation		$4,364,275,423	(a)
2021 Certified Assessed Valuation		$4,871,540,557	(b)
Direct Debt Outstanding			
Outstanding Bonds	$93,080,000		
Plus: The Bonds	$18,000,000		
Total		$ 111,080,000	
Debt Service Fund Balance (Cash and Investments)		$12,941,517	(c)
Ratio of Direct Debt to 2021 Certified Assessed Valuation		2.28%	

Area of District: 7,276.49 acres
Estimate of Population: 19,356 [d]

(a) Net of exemptions; $4,257,750,412 as certified by the Fort Bend Central Appraisal District ("FBCAD") as of July 22, 2021 and $106,525,011 as certified by the Harris County Appraisal District ("HCAD") as of June 15, 2021. See "TAXING PROCEDURES."
(b) Net of exemptions; $4,746,222,664 as certified by the FBCAD as of July 16, 2021 and $125,317,893 as certified by the HCAD as of August 20, 2021. Does not include the value of certain properties which has been proposed by the Appraisal District but protested by the owners thereof and the value of certain properties not under protest not as of yet certified. See "TAXING PROCEDURES."
(c) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the debt service funds.
(d) Based on 3.5 residents per single family connections and 2.5 residents per multi-family unit.

Total Outstanding Bonds

Series	Original Amount	Outstanding Principal as of August 2021
2010A	$4,800,000	$335,000
2012	6,700,000	6,700,000
2012A	7,700,000	7,700,000
2013 (a)	7,545,000	2,535,000
2015	17,500,000	15,435,000
2016 (a)	25,320,000	20,875,000
2019	39,500,000	39,500,000
2021 (b)	18,000,000	18,000,000
	$135,490,000	$111,080,000

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

Cash and Investment Balances (Unaudited at July 31, 2021)

General Fund	Cash and Temporary Investments	$17,214,744
Debt Service Funds	Cash and Temporary Investments	$12,941,517 [(a)]
Capital Projects Fund	Cash and Temporary Investments	$3,585,228

(a) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the District's debt service funds.

Estimated Overlapping Debt Statement

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed, unless otherwise indicated, from information contained in "Texas Municipal Reports," published by the Municipal Advisory Council of Texas. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

Taxing Body (a)	As of	Gross Debt	% Ovlpg. Debt	$ Ovlpg. Amount
Fort Bend County	07/31/2021	$633,879,567	5.13%	$32,518,022
The Authority	07/31/2021	$4,620,000	100.00%	4,620,000
Fort Bend ISD	07/31/2021	1,461,158,767	3.10%	45,295,922
Harris County	07/31/2021	1,672,657,125	0.01%	167,266
Harris Co Dept of Education	07/31/2021	20,185,000	0.01%	2,019
Harris Co Flood Control	07/31/2021	334,270,000	0.01%	33,427
Harris Co Hosp District	07/31/2021	81,540,000	0.01%	8,154
Harris Co Toll Road (b)	07/31/2021	0	0.01%	0
Houston Community College	07/31/2021	492,485,000	0.43%	2,117,686
Houston ISD	07/31/2021	2,564,745,000	0.02%	511,697
Houston, City of	07/31/2021	3,209,025,000	0.02%	641,805
Missouri City, City of	07/31/2021	158,635,000	14.00%	22,208,900
Port of Houston Authority	07/31/2021	492,439,397	0.01%	49,244
Stafford MSD	07/31/2021	104,870,000	99.63%	104,481,981
Stafford, City of	07/31/2021	0	99.56%	0
Sugar Land, City of	07/31/2021	291,820,915	0.02%	60,147
Total Overlapping Debt:				$212,716,268
The District (c)				$111,080,000
Total Direct and Overlapping Debt:				$323,796,268

Ratio of Direct and Overlapping Gross Debt To 2021 Certified Assessed Valuation	6.65%
Estimated Direct and Overlapping Gross Debt per Capita	$16,728 [(d)]

(a) Taxing jurisdictions with outstanding debt.
(b) The Harris County Toll Road Authority's debt is considered self-supportive debt.
(c) Includes the Bonds.
(d) Based on 3.5 residents per single family connections and 2.5 residents per multi-family unit.

Overlapping Taxes

TAXING JURISDICTIONS (a)	TAX YEAR	CURRENT TAX RATE PER $100 VALUATION
City of Missouri City	2020	$0.5980
City of Stafford	2020	0.0000
City of Sugar Land	2020	0.3365
Houston Community College System	2020	0.1003
Fort Bend County (b)	2020	0.4532
Harris County (c)	2020	0.6167
Fort Bend Independent School District	2020	1.2402
Stafford Municipal School District	2020	1.2223
Houston Independent School District	2020	1.1331
The District	2020	0.2125
FBC WC&ID No. 2 Defined Area 1 (d)	2020	0.5150
HCID No. 5 (Brays Oaks) (e)	2020	0.1000

(a) A property owner in the District pays only one county tax, one school tax, and one, if any, city tax. The percentage of overlapping debt for the City of Houston is less than 0.02%.
(b) Includes Fort Bend County and Fort Bend County Drainage District.
(c) Includes Harris County, Harris County Department of Education, Harris County Flood Control District, Harris County Hospital District, and the Port of Houston Authority.
(d) The Defined Area Tax is only levied on approximately 192 acres (the "Defined Area") within the District. The Defined Area Tax is in addition to, and exclusive of, the District's debt service tax levied on all taxable property within the District (including the Defined Area). The Defined Area Tax is levied for the purpose of financing certain public improvements serving the Defined Area. See "THE DISTRICT – Defined Area."
(e) Only a small portion (approximately 51.27 acres) is located within Harris County Improvement District No. 5. This tax rate is not levied anywhere else in the District.

Classification of Assessed Valuation (a)

	2021 (b) Amount	2020 (c) Amount	2019 Amount	2018 Amount	2017 Amount
Land	$ 724,375,025	$ 692,478,865	$ 659,031,924	$ 652,065,524	$ 572,283,687
Improvements	3,362,968,667	2,964,746,615	2,678,922,555	2,541,928,536	2,441,831,956
Personal Property	1,586,480,267	1,403,016,028	1,385,667,076	1,233,275,306	927,207,675
Total Appraised Value	5,673,823,959	5,060,241,508	4,723,621,555	4,427,269,366	3,941,323,318
Less Exemptions	(802,283,402)	(695,966,085)	(479,762,753)	(626,683,238)	(358,616,359)
Total Net Taxable Value	$4,871,540,557	$4,364,275,423	$4,243,858,802	$3,800,586,128	$3,582,706,959

(a) Reflects total assessed valuation prior to final adjustments to the tax rolls.
(b) Net of exemptions; $4,746,222,664 as certified by the FBCAD as of July 16, 2021 and $125,317,893 as certified by the HCAD as of August 20, 2021. Does not include the value of certain properties which has been proposed by the Appraisal District but protested by the owners thereof and the value of certain properties not under protest not as of yet certified. See "TAXING PROCEDURES."
(c) Net of exemptions; $4,257,750,412 as certified by the Fort Bend Central Appraisal District ("FBCAD") as of July 22, 2021 and $106,525,011 as certified by the Harris County Appraisal District ("HCAD") as of June 15, 2021. See "TAXING PROCEDURES."

Tax Collections

The following statement of tax collections reflects the historical tax collection experience of the District. Such summary has been prepared for inclusion herein based upon information from District audited financial statements and records of the District tax assessor/collector. Reference is made to such audits and records for further and complete information. See "Classification of Assessed Valuation" above.

					Collections as of Tax Year End			Collections Through July 31, 2021 (a)	
Tax Year		Assessed Valuation (b)	Tax Rate	Adjusted Levy	Amount		%		Amount	%
2010		$2,561,564,343	$0.1800	$4,610,816	$4,593,279		99.62%		$4,610,125	99.99%
2011		2,581,513,974	0.1800	4,646,725	4,624,578		99.52%		4,635,413	99.76%
2012		2,612,722,808	0.1800	4,702,901	4,694,306		99.82%		4,696,966	99.87%
2013		2,867,236,539	0.1800	5,161,026	5,146,797		99.72%		5,155,529	99.89%
2014		3,078,176,491	0.1800	5,540,718	5,521,335		99.65%		5,534,085	99.88%
2015		3,295,722,024	0.1800	5,951,759	5,873,941		98.69%		5,941,866	99.83%
2016		3,426,545,740	0.2125	7,295,419	7,257,804		99.48%		7,269,116	99.64%
2017	(c)	3,582,706,959	0.2125	7,624,505	7,556,670		99.11%		7,596,499	99.63%
2018	(c)	3,800,586,128	0.2125	7,932,199	7,661,994		96.59%		7,908,811	99.71%
2019	(c)	4,243,858,802	0.2125	8,609,222	8,433,401		97.96%		8,554,772	99.37%
2020	(c)	4,364,275,423	0.2125	9,666,314	9,511,826	(d)	98.40%	(d)	9,511,826	98.40%

(a) As of July 31, 2021. Unaudited.
(b) Net assessed valuation excludes exemptions. Values may have subsequently changed.
(c) Does not include Defined Area Tax levy and collections. See "THE DISTRICT – Defined Area."
(d) In process of collections. Represents partial collections from September 30, 2020 to July 30, 2021.

Tax Rate Limitation

Debt Service: Unlimited (no legal limit as to rate or amount).
Maintenance: The voters in the District have not authorized the levy of a maintenance tax.
Defined Area Tax: Unlimited (no legal limit as to rate or amount).
Defined Area Maintenance Tax: $1.50 per $100 of assessed valuation.

Maintenance Tax

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

Exemptions

For the 2021 tax year, the Board of Directors of the District has authorized the exemption from taxation of $40,000 of appraised value of residence homesteads for all persons over 65 or disabled. See "TAXING PROCEDURES – Property Subject to Taxation by the District."

Additional Penalties

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

Principal Taxpayers

The following are the principal taxpayers in the District as shown on the District's certified appraisal rolls for the 2020 tax year, which reflect ownership as of January 1.

Taxpayer	Property Type	2020
Cardinal Health 110 Inc.	Pharmacy	$117,020,530
Left Gate Property Holding Inc.	Car Dealership	72,988,010
Fountains Dunhill LLC	Shopping Center/Mall	66,643,340
JLB Stafford Phase I LP	Apartments	45,829,170
Best Buy Warehousing Logistics Inc.	Wholesale Supplier/Distribution Center	45,550,020
Houston Formulation Evaluation	Wholesale Supplier/Distribution Center	39,159,531
VR Colony Lakes Holdings LP	Apartments	38,596,650
Puffer Sweiven Inc.	Wholesale Supplier/Distribution Center	37,642,370
Hou Ind 3 LLC	Storage Units/Warehouses	36,611,697
Ben E. Keith Co. (a)	Wholesale Supplier/Distribution Center	36,327,980
Total		$536,369,298
% of Assessed Value		12.60%

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

District Tax Rates

	2021 (a)	2020	2019	2018	2017	2016
Debt Service	$0.2125	$0.2125	$0.2125	$0.2125	$0.2125	$0.2125
Defined Area (b)	0.5150	0.5150	0.5150	0.5150	0.5150	
Maintenance & Operation	-	-	-	-	-	-
Total (c)	$0.7275	$0.7275	$0.7275	$0.7275	$0.7275	$0.2125

(a) Anticipated Tax Rate. The District has authorized publication of its intent to levy a District tax rate of $0.2125 per $100 of assessed valuation and a Defined Area tax rate of $0.5150 per $100 of assessed valuation. Such rates are subject to change and may be reduced or increased prior to official levy.

(b) 2017 is the first year of levy of the Defined Area Tax. The Defined Area Tax is only levied on approximately 192 acres (the "Defined Area") within the District. The Defined Area Tax is in addition to, and exclusive of, the District's debt service tax levied on all taxable property within the District (including the Defined Area). The Defined Area Tax is levied for the purpose of financing certain public improvements serving the Defined Area. See "THE DISTRICT – Defined Area."

(c) The total District tax rate without the Defined Area is $0.2125 in tax years: 2020, 2019, 2018 and 2017.

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2021 Certified Assessed Valuation and utilize tax rates adequate to service the District's total debt service requirements, including the Bonds. No available debt service funds are reflected in these computations.

Average Annual Debt Service Requirements on the District's total outstanding indebtedness (2021 – 2046)	$6,410,089
$0.14 Debt Service Tax Rate on 2021 Certified Assessed Valuation of $4,871,540,557 at 95% collections produces	$6,479,149
Maximum Annual Debt Service Requirements on the District's total outstanding indebtedness (2022)	$6,945,201
$0.16 Debt Service Tax Rate on 2021 Certified Assessed Valuation of $4,871,540,557 at 95% collections produces	$7,404,742

Debt Service Fund Management Index

Debt Service Requirements for year ending 2022	$6,945,201 (a)
Debt Service Fund Balance	$12,941,517 (b)
2021 Debt Service Tax Levy @ 95% collections produces...	$8,722,561 (c)

____
(a) Represents the Debt Service Requirements after the issuance of the Bonds.
(b) Unaudited Debt Service Fund balance at July 31, 2021, prior to the District's September 1, 2021 debt service payment in the amount of $6,468,090.
(c) Utilizing anticipated 2021 District debt service tax rate: $0.2125/$100 of assessed valuation.

Rate and Fee Schedule

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

Water Rates (monthly billing)

Single Family Residential:

Amount of Payment	Water Usage
$8.50 Minimum	0 - 5,000 gallons
$1.70 per 1,000 gallons	5,001 - 10,000 gallons
$1.95 per 1,000 gallons	10,001 – 25,000 gallons
$2.50 per 1,000 gallons	25,001 – 50,000 gallons
$2.75 per 1,000 gallons	50,001 – 75,000 gallons
$3.00 per 1,000 gallons	75,001 – 100,000 gallons
$3.25 per 1,000 gallons	Anything over 100,000 gallons

Multi-Family Residential:

Amount of Payment	Water Usage
$8.50 Minimum	0 - 4,000 gallons
$1.70 per 1,000 gallons	4,001 - 10,000 gallons
$1.95 per 1,000 gallons	10,001 – 25,000 gallons
$2.50 per 1,000 gallons	25,001 – 50,000 gallons
$2.75 per 1,000 gallons	50,001 – 75,000 gallons
$3.00 per 1,000 gallons	75,001 – 100,000 gallons
$3.25 per 1,000 gallons	Anything over 100,000 gallons

Commercial:

Amount of Payment	Water Usage
$10.50 per unit minimum	0 - 5,000 gallons
$2.50 per 1,000 gallons	5,001 – 75,000 gallons
$3.00 per 1,000 gallons	Over 75,000 gallons

Sewer Charges

Residential:

After initial occupancy, each Single Family Residential User and Multi-Family User (other than such users within the City of Stafford extraterritorial jurisdiction receiving garbage service from the District) shall be charged and shall pay a flat monthly sewer charge of $15.00 for sanitary sewer service from the District.

Commercial:

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

Amount of Payment	Sewage Discharged
$11.00 Minimum	0 - 4,000 gallons
$2.75 per 1,000 gallons	Anything over 4,000 gallons

Waterworks and Sewer System Operating Statement [(a)]

	10/1/2020 - 7/31/2021	2020	2019	2018	2017
REVENUES:					
Water Service	$4,326,389	$5,542,231	$5,287,694	$5,345,962	$5,345,090
Sewer Service	3,558,900	4,344,628	4,365,515	4,337,995	4,237,354
Defined Area property taxes	886,541	593,228	357,369	213,620	0
Penalty and Interest	2,810	58,546	133,880	95,160	102,235
Tap Connection and Inspection Fees	714,600	946,724	1,290,287	532,776	258,308
Groundwater Reduction Fee	1,582,216	1,902,392	1,843,482	1,519,288	1,326,316
Investment earnings	359	164,943	429,073	256,226	98,628
Miscellaneous	4,890,565	178,810	352,019	263,839	495,536
TOTAL REVENUES	$15,962,381	$13,731,502	$14,059,319	$12,564,866	$11,863,467
EXPENDITURES:					
Personnel	$2,485,500	$3,080,871	$3,050,593	$2,900,423	$2,922,696
Professional Fees	269,425	439,946	316,577	436,541	597,510
Utilities	594,452	709,065	661,932	686,648	664,407
Repairs and Maintenance	1,457,739	2,558,469	2,944,734	2,712,685	1,774,877
Administrative Expenses	4,464	454,756	461,673	465,750	434,678
Surface Water	3,997,159	2,661,964	2,441,184	2,012,257	1,735,804
Defined Area public improvements	886,541	593,228	357,369	213,620	0
Other	2,667,172	333,791	319,415	316,382	356,410
Tap Connections	270,895	426,742	587,122	138,877	85,542
Capital Outlay	2,698,781	4,767,336	937,697	1,597,086	1,753,131
TOTAL EXPENDITURES	$15,332,129	$16,026,168	$12,078,296	$11,480,269	$10,325,055
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$630,252	($2,294,666)	$1,981,023	$1,084,597	$1,538,412
OTHER FINANCING SOURCES (USES)					
Operating Transfers in (out)	0	35,988	1,094,434	(29,112)	(56,677)
Sale of capital assets	32,103	19,700	13,963	0	0
Insurance Proceeds	16,824	0	0	0	0
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	$679,180	($2,238,978)	$3,089,420	$1,055,485	$1,481,735
BEGINNING FUND BALANCE	$18,363,027	$20,609,686	$17,520,266	$16,218,081	$14,736,346
ENDING FUND BALANCE	$19,042,207	$18,370,708	$20,609,686	$17,273,566	$16,218,081

(a) Such summary is based upon information obtained from the audited financial statements for fiscal years ended 2017 – 2020 and from the District's bookkeeper for the ten month period ended July 31, 2021. Reference is made to such records and statements for further and more complete information.

Debt Service Fund Operating Statement [(a)]

		Fiscal Year Ended September 30			
	10/1/2020 - 7/31/2021	2020	2019	2018	2017
REVENUES:					
Property Taxes	$9,429,743	$8,450,662	$7,986,557	$7,542,997	$7,286,288
Penalty and Interest	49,889	39,714	49,569	41,677	37,874
Investment earnings	0	62,631	218,337	115,367	41,301
Miscellaneous	198,948	51,760	42,889	25,763	47,531
TOTAL REVENUES	$9,678,580	$8,604,767	$8,297,352	$7,725,804	$7,412,994
EXPENDITURES:					
Tax collection services	$0	$62,651	$64,894	$57,137	$50,891
Other	55,319	0	0	0	0
Debt Service:					
Principal retirement	0	3,680,000	3,585,000	3,420,000	3,600,000
Cash defeasance	0	1,730,000	0	0	0
Interest and fiscal charges	0	3,631,628	3,052,040	2,423,450	2,546,725
Bond issuance cost	0	0	0	0	0
TOTAL EXPENDITURES	$55,319	$9,104,279	$6,701,934	$5,900,587	$6,197,616
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$9,623,261	($499,512)	$1,595,418	$1,825,217	$1,215,378
OTHER FINANCING SOURCES (USES)					
Proceeds from the sale of bonds	0	0	0	0	0
Bond premium	0	0	0	0	0
Payment to escrow agent	0	0	0	0	0
Debt service – principal	0	0	0	0	0
Internal transfers	0	0	0	0	(43,352)
Transfers to Debt Service Fund	(9,600,000)	0	0	0	0
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	$23,261	($499,512)	$1,595,418	$1,825,217	$1,172,026
BEGINNING FUND BALANCE	$12,869,735	$6,985,858	$5,390,440	$3,565,223	$2,393,197
ENDING FUND BALANCE	$12,892,995 (b)	$6,486,346	$6,985,858	$5,390,440	$3,565,223

(a) Such summary is based upon information obtained from the audited financial statements for fiscal years ended 2017 – 2020 and from the District's bookkeeper for the ten month period ended July 31, 2021. Reference is made to such records and statements for further and more complete information.

(b) Ending fund balance of $12,892,995 is prior to the District's September 1, 2021 debt service payment of $4,779,045, which would result in a debt service fund balance of $8,113,950.

MANAGEMENT

Board of Directors

The directors and officers of the District are listed below:

Name	Title	Term Expires	Length of Service
John Rose	President	May, 2024	8 years
Jody Court	Vice President/Asst. Secretary	May, 2024	8 years
Linda Walker	Secretary	May, 2022	15 years
Harvey Koudelka	Asst. Secretary	May, 2024	1 year
Vacant		May, 2022	

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

Tax Assessor/Collector

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

Engineer

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

Bond Counsel

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

Financial Advisor

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

Auditor

The District's financial statements for the fiscal year ended September 30, 2020 were prepared by McGrath & Co., PLLC. See Appendix "A" for a copy of the District's September 30, 2020 financial statements.

District Operations

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

DEBT SERVICE REQUIREMENTS

Year Ending 9/1	Outstanding Debt Service	The Bonds: Principal Due 9/1	The Bonds: Interest Due 3/1	The Bonds: Interest Due 9/1	The Bonds: Total Principal & Interest	Total
2021	$6,468,090.00	-	-	-	-	$6,468,090.00
2022	6,486,385.00	$100,000.00	$155,072.11	$203,744.38	$458,816.49	6,945,201.49
2023	6,311,925.00	100,000.00	202,744.38	202,744.38	505,488.76	6,817,413.76
2024	5,865,375.00	100,000.00	201,744.38	201,744.38	503,488.76	6,368,863.76
2025	5,858,650.00	100,000.00	200,744.38	200,744.38	501,488.76	6,360,138.76
2026	5,853,281.25	100,000.00	199,744.38	199,744.38	499,488.76	6,352,770.01
2027	5,848,631.25	100,000.00	198,744.38	198,744.38	497,488.76	6,346,120.01
2028	5,849,331.25	100,000.00	197,744.38	197,744.38	495,488.76	6,344,820.01
2029	5,853,681.25	100,000.00	197,244.38	197,244.38	494,488.76	6,348,170.01
2030	5,852,668.75	100,000.00	196,744.38	196,744.38	493,488.76	6,346,157.51
2031	5,856,493.75	100,000.00	196,056.88	196,056.88	492,113.76	6,348,607.51
2032	5,853,631.25	100,000.00	195,306.88	195,306.88	490,613.76	6,344,245.01
2033	5,848,756.25	100,000.00	194,306.88	194,306.88	488,613.76	6,337,370.01
2034	5,849,300.00	100,000.00	193,306.88	193,306.88	486,613.76	6,335,913.76
2035	5,849,231.25	100,000.00	192,306.88	192,306.88	484,613.76	6,333,845.01
2036	6,185,081.25	100,000.00	191,306.88	191,306.88	482,613.76	6,667,695.01
2037	6,207,537.50	100,000.00	190,306.88	190,306.88	480,613.76	6,688,151.26
2038	6,222,475.00	100,000.00	189,181.88	189,181.88	478,363.76	6,700,838.76
2039	6,232,868.75	100,000.00	188,056.88	188,056.88	476,113.76	6,708,982.51
2040	6,251,025.00	100,000.00	186,931.88	186,931.88	473,863.76	6,724,888.76
2041	6,261,062.50	100,000.00	185,806.88	185,806.88	471,613.76	6,732,676.26
2042	6,275,875.00	100,000.00	184,681.88	184,681.88	469,363.76	6,745,238.76
2043	6,287,250.00	100,000.00	183,556.88	183,556.88	467,113.76	6,754,363.76
2044		5,150,000.00	182,431.88	182,431.88	5,514,863.76	5,514,863.76
2045		5,265,000.00	124,494.38	124,494.38	5,513,988.76	5,513,988.76
2046		5,385,000.00	63,946.88	63,946.88	5,512,893.76	5,512,893.76
	$139,428,606.25	$18,000,000.00	$4,592,514.73	$4,641,187.00	$27,233,701.73	$166,662,307.98

TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

Title I of the Texas Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State 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 the responsibility for reviewing and equalizing the values established by the appraisal district. The Fort Bend Central Appraisal District and Harris County Appraisal District (together, the "Appraisal Districts") have the responsibility for appraising property for all taxing units within Fort Bend County and Harris County, including the District. Such appraisal values are subject to review and change by the Fort Bend County Appraisal Review Board and the Harris County Appraisal Review Board, respectively (together, the "Appraisal Review Boards").

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State 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; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax- supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 of taxable valuation depending upon the disability rating of the veteran, if such rating is less than 100. A veteran who receives a disability rating of 100% is entitled to an exemption of the full amount of the veteran's residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran is entitled to an exemption for the full value of the veteran's residence homestead to which the disabled veterans' exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or, effective January 1, 2018, (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the nearest value of the residence as of the date of the donation is made. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the state 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 by the Board of Directors of the District each year, but must be adopted before July 1. See "SELECTED FINANCIAL INFORMATION."

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

Tax Abatement

Fort Bend County, Harris County, the City of Stafford, the City of Missouri City, the City of Sugar Land, or the City of Houston may designate all or part of the area within the District as a reinvestment zone. Thereafter, Fort Bend County, Harris County, the City of Stafford, the City of Missouri City, the City of Sugar Land, or the City of Houston and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, an entity must adopt guidelines and criteria for establishing tax abatement, which such entity will follow in granting tax abatement to owners of property within the zone. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the 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 agreement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard for the terms approved by the other taxing jurisdictions.

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

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

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

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

Valuation of Property for Taxation

Generally, property in the District must be appraised by the applicable Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Boards it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. Nevertheless, certain land may be appraised at less than market value, as such is defined in the Property Tax Code. The Texas Constitution limits increases in the appraised value of residence homesteads to 10 percent annually regardless of the market value of the property.

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

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

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically damaged by a disaster and located within an area declared to be a disaster area by the governor of the State 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 Boards by filing a timely petition of review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal Districts to compel compliance with the Property Tax Code.

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

Levy and Collection of Taxes

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

Rollback of Operation and Maintenance Tax Rate

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

Special Taxing Units

Special Taxing Units that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, 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

For the 2021 tax year, the District and Defined Area were determined to be a Special Taxing Unit. A determination as to the District's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State 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 "SELECTED FINANCIAL INFORMATION – Overlapping Taxes for 2020"). 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 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. See "INVESTMENT CONSIDERATIONS – General – Tax Collections."

Tax Payment Installments After Disaster

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

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

INVESTMENT CONSIDERATIONS

General

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

Factors Affecting Taxable Values and Tax Payments

Infectious Disease Outbreak (COVID-19): In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus ("COVID-19") to be a public health emergency. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State of Texas (the "State") because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to the Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings and other activities.

Over the ensuing year, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the State. Following the widespread release and distribution of various COVID-19 vaccines in 2021 and a decrease in active COVID-19 cases generally in the United States, state governments (including Texas) have started to lift business and social limitations associated with COVID-19. Beginning in March 2021, the Governor issued various executive orders, which, among other things, rescinded and superseded prior executive orders and provide that there are currently no COVID-19 related operating limits for any business or other establishment except in counties with an "area with high hospitalizations" where a county judge may impose COVID-19 related mitigation strategies. Harris County is not currently an "area with high hospitalizations." The Governor retains the right to impose additional restrictions on activities if needed in order to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this OFFICIAL STATEMENT.

With the decrease in the number of active COVID-19 cases and the easing or removal of associated governmental restrictions, economic activity has increased. However, there are no assurances that such increased economic activity will continue or continue at the same rate, especially if there are future outbreaks of COVID-19. The District has not experienced any decrease in property values, unusual tax delinquencies or interruptions to any service as a result of COVID 19; however, the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and reinstitution of restrictions. See "INVESTMENT CONSIDERATIONS—Infectious Disease Outlook (COVID-19)."

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 or homebuilding activity within the District. The Bonds are secured by the proceeds of an annual unlimited ad valorem tax. A reduction in property values in the District may require an increase in the ad valorem tax rate required to make such payments.

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 indicative of the economic impact of the Pandemic on the District's financial condition.

Potential Effects of Oil Price Fluctuations on the Houston Area: The recent volatility in oil prices in the U.S. and globally, which at times have led to the lowest prices in three decades, may lead to adverse conditions in the oil and gas industry, including but not limited to reduced revenues, declines in capital and operating expenditures, business failures, and layoffs of workers. The economy of the Greater Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their collateral impact to other industries could result in declines in the demand for residential and commercial property in the Greater Houston area and could reduce or negatively affect property values or homebuilding activity within the boundaries of the District. As previously stated, the Bonds are secured by the proceeds of an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to make such payments as well as the District's operations and maintenance expenses payable from ad valorem taxes.

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

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

Maximum Impact on District Tax Rates: Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. 2021 Certified Assessed Valuation of the District is $4,871,540,557 (see "SELECTED FINANCIAL INFORMATION"). After issuance of the Bonds, the Maximum Annual Debt Service Requirement will be $6,945,201 (2022) and the Average Annual Debt Service Requirement, on a calendar year basis, will be $6,410,089 (2021 – 2046). Assuming no increase or decrease from the 2021 Certified Assessed Valuation and no use of funds on hand, a debt service tax rate of $0.16 per $100 of assessed valuation at a 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and a tax rate of $0.14 per $100 of assessed valuation at a 95% collection rate would be necessary to pay the Average Annual Debt Service Requirement. The District's 2021 anticipated debt service tax rate is $0.2125 per $100 of assessed valuation. See "DEBT SERVICE REQUIREMENTS" and "SELECTED FINANCIAL INFORMATION – Tax Adequacy for Debt Service." Property within the District also is subject to taxes levied by other political subdivisions. See "SELECTED FINANCIAL INFORMATION – Estimated Overlapping Debt Statement and – Overlapping Taxes for 2021."

Tax Collections

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

Principal Taxpayers' Obligations to the District

The ability of any principal taxpayer to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. As illustrated in this Official Statement under the caption "SELECTED FINANCIAL INFORMATION – Principal Taxpayers," the District's ten major taxpayers in 2020 owned property located within the District the aggregate assessed valuation of which comprised approximately 12.60% of the District's total 2020 Assessed Valuation. In the event one of these taxpayers, or any combination of taxpayers, should default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax liens, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate. The District is not required by law or the Bond Resolution to maintain any specified amount of surplus in its debt service funds. See "SELECTED FINANCIAL INFORMATION – Principal Taxpayers" and "TAXING PROCEDURES – Levy and Collection of Taxes."

Registered Owners' Remedies

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

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. §§ 901-946, if the District: (1) is generally authorized to file for federal bankruptcy protection by State law; (2) is insolvent or unable to meet its debts as they mature; (3) desires to effect a plan to adjust such debts; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, a water control and improvement district such as the District must obtain the approval of the Commission prior to filing for bankruptcy. The Commission must investigate the financial condition of the District and will authorize the District to proceed if the Commission determines that the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

The District may not be placed into bankruptcy involuntarily.

Marketability

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

Future Debt

After the issuance of the Bonds, the District will have (i) $12,255,000 in principal amount of unlimited tax bonds that are authorized by the voters but unissued for water and wastewater facilities and refunding of such bonds from the November 4, 2014 election and (ii) $150,000,000 in principal amount of unlimited tax bonds for water and wastewater facilities and $25,000,000 in principal amount of unlimited tax bonds for refunding bonds from the May 1, 2021 election that are authorized but unissued. The District has the right to issue additional bonds, special project bonds, and other obligations if authorized by the District's voters and the Commission. If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds and the District's other outstanding bonds. See "THE BONDS – Issuance of Additional Debt."

Continuing Compliance with Certain Covenants

The Bond Resolution contains covenants by the District intended to preserve the exclusion from gross income of interest on the Bonds. Failure by the District to comply with such covenants could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX MATTERS."

Environmental Regulations

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

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

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

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

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

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

Pursuant to the federal Safe Drinking Water Act ("SDWA") and the EPA's National Primary Drinking Water Regulations ("NPDWRs"), which are implemented by the TCEQ's Water Supply Division, a municipal utility district's provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency's rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), with an effective date of March 5, 2018, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain nonstormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district's ability to obtain and maintain compliance with TPDES permits.

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit") 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. While the District is currently not subject to the MS4 Permit, if the District's inclusion were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

In 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.

Changes in Tax Legislation

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

Recent Extreme Weather Events; Hurricane Harvey

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

The greater Houston area, including the District, has experienced four storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015, including Hurricane Harvey which made landfall along the Texas Gulf Coast on August 25, 2017, and brought historic levels of rainfall during the successive four days. According to the District's engineer, there was no interruption of water and sewer service in the District during or after the storm. According to the District's engineer, the District's system did not sustain any material damage from Hurricane Harvey. Hurricane Harvey could have a material impact on the Houston region's economy.

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

Specific Flood Type Risks

Riverine (or Fluvial) Flood.

Riverine, or fluvial, flooding occurs when water levels rise over the top of river, bayou or channel banks due to excessive rain from tropical systems making landfall and/or persistent thunderstorms over the same area for extended periods of time. The damage from a riverine flood can be widespread. The overflow can affect smaller rivers and streams downstream, or may sheet-flow overland. Flash flooding is a type of riverine flood that is characterized by an intense, high velocity torrent of water that occurs in an existing river channel with little to no notice. Flash floods are very dangerous and destructive not only because of the force of the water, but also the hurtling debris that is often swept up in the flow. They can occur within minutes or a few hours of excessive rainfall. They can also occur even if no rain has fallen, for instance, after a levee, dam or reservoir has failed or experienced an uncontrolled release, or after a sudden release of water by a debris or ice jam. In addition, planned or unplanned controlled releases from a dam, levee or reservoir also may result in flooding in areas adjacent to rivers, bayous or drainage systems (canals or channels) downstream.

Ponding (or Pluvial) Flood.

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

LEGAL MATTERS

Legal Proceedings

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

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

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

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

No-Litigation Certificate

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

TAX MATTERS

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals.

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 purpose, and in addition, will rely on representations by the District, the District's Financial Advisor and the Initial Purchaser with respect to matters solely within the knowledge of the District, the District's Financial Advisor and the Initial Purchaser, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Resolution or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

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

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

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

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

Tax Accounting Treatment of Original Issue Discount Bonds

The initial offering price of certain of the Bonds (the "Original Issue Discount Bonds") may be less than the principal amount thereof. In such case, under existing law, (a) the difference between (i) the principal amount payable at the maturity of each Original Issue Discount Bond and (ii) the initial offering price of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of an owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds; and (b) such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "TAX MATTERS" generally applies, except as otherwise provided below, to original issue discount on a Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the Official Statement.)

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

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

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

Not Qualified Tax Exempt Obligations

The Bonds are not "qualified tax-exempt obligations" within the meaning of pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the lowest net effective interest rate bid, which was tendered by SAMCO Capital Markets Inc. (referred to herein as the "Initial Purchaser" or Underwriter"). The Initial Purchaser has agreed to purchase the Bonds, bearing the interest rates on the cover page of this Official Statement, at a price of 97.313946% of the par value thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 2.413699%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser two (2) days prior to the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds after a bona fide offering of the Bonds is made by the Initial Purchaser at the yields specified on the cover page. Information concerning reoffering yields or prices is the sole responsibility of the Initial Purchaser.

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

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

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

Consultants

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

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

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

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

Auditor: The District's financial statements are audited by McGrath & Co., PLLC, Certified Public Accountants. The District's Audited Financial Statements for the fiscal year ended September 30, 2020 have been included as Appendix A in reliance upon their authority as consultants in the field of accounting.

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

Certification as to Official Statement

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

Updating of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data annually to the MSRB through its EMMA system**.**

The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement included under the headings "THE SYSTEM," "SELECTED FINANCIAL INFORMATION," and "APPENDIX A" (Financial Statements of the District). The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2021. The District will provide the updated information to EMMA.

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

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

Specified Event Notices

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

Limitations and Amendments

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

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with SEC Rule 15c2-12, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

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

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of Fort Bend County Water Control & Improvement District No. 2 as of the date shown on the first page hereof.

/s/ ________________________
John Rose
President, Board of Directors
Fort Bend County Water Control
& Improvement District No. 2

/s/ ________________________
Linda Walker
Secretary, Board of Directors Fort
Bend County Water Control
& Improvement District No. 2

AERIAL PHOTOGRAPH

(August 2021)

APPENDIX A
Financial Statements of the District

EXHIBIT B

FORT BEND COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

FORT BEND COUNTY, TEXAS

FINANCIAL REPORT

September 30, 2020

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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 Water Control and 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 Water Control and Improvement District No. 2, as of and for the year ended September 30, 2020, 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.

Mark W. McGrath, CPA
mark@mcgrath-co.com

Colette M. Garcia, CPA
colette@mcgrath-co.com

Tayo Ilori, CPA, CFE
tayo@mcgrath-co.com

Crystal V. Horn, CPA
crystal@mcgrath-co.com

Board of Directors
Fort Bend County Water Control and 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 Water Control and Improvement District No. 2, as of September 30, 2020, 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, budgetary comparison information and required schedules related to pension and OPEB plans to 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.

McGrath & Co, PLLC

Houston, Texas
January 27, 2021

Management's Discussion and Analysis

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Using this Annual Report

Within this section of the financial report of Fort Bend County Water Control and Improvement District No. 2 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2020. 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, schedule of changes in net pension liability and total OPEB liability, and schedule of employer contributions for the District's pension plan; 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.

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, 2020, was $74,964,817. A comparative summary of the District's overall financial position, as of September 30, 2020 and 2019, is as follows:

	2020	2019
Current and other assets	$ 59,501,099	$ 80,457,203
Capital assets	122,696,000	97,666,600
Total assets	182,197,099	178,123,803
Total deferred outflows of resources	1,418,883	1,861,561
Current liabilities	12,104,205	8,861,479
Long-term liabilities	96,528,844	101,801,102
Total liabilities	108,633,049	110,662,581
Total deferred inflows of resources	18,116	18,386
Net position		
Net investment in capital assets	43,013,860	34,781,030
Restricted	6,602,662	6,993,966
Unrestricted	25,348,295	27,529,401
Total net position	$ 74,964,817	$ 69,304,397

The total net position of the District increased during the current fiscal year by $5,660,420. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2020	2019
Revenues		
Property taxes, penalties and interest	$ 9,233,759	$ 8,503,724
Water and sewer service	9,886,859	9,653,209
Groundwater reduction fees	6,854,434	6,432,360
Other	1,769,415	3,161,718
Total revenues	27,744,467	27,751,011
Expenses		
Current service operations	15,363,789	14,878,280
Interest and fees	3,638,867	3,397,340
Debt issuance costs		2,209,955
Depreciation	3,101,091	3,196,373
Total expenses	22,103,747	23,681,948
Change in net position before other item	5,640,720	4,069,063
Other item		
Gain/(loss) on sale of assets	19,700	(29,777)
Change in net position	5,660,420	4,039,286
Net position, beginning of year	69,304,397	65,265,111
Net position, end of year	$ 74,964,817	$ 69,304,397

Financial Analysis of the District's Funds

The District's combined fund balances, as of September 30, 2020, were $50,412,525, which consists of $18,370,708 in the General Fund, $6,486,346 in the Debt Service Fund, $18,640,128 in the Capital Projects Fund and $6,915,343 in the Special Revenue Fund.

General Fund

A comparative summary of the General Fund's financial position as of September 30, 2020 and 2019 is as follows:

	2020	2019
Total assets	$ 22,493,550	$ 23,567,424
Total liabilities	$ 4,122,842	$ 2,957,738
Total fund balance	18,370,708	20,609,686
Total liabilities and fund balance	$ 22,493,550	$ 23,567,424

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

	2020	2019
Total revenues	$ 13,731,502	$ 14,059,319
Total expenditures	(16,026,168)	(12,078,296)
Revenues over/(under) expenditures	(2,294,666)	1,981,023
Other changes in fund balance	55,688	1,108,397
Net change in fund balance	$ (2,238,978)	$ 3,089,420

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

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of September 30, 2020 and 2019 is as follows:

	2020	2019
Total assets	$ 6,879,575	$ 7,287,477
Total deferred inflows	$ 393,229	$ 301,619
Total fund balance	6,486,346	6,985,858
Total deferred inflows and fund balance	$ 6,879,575	$ 7,287,477

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

	2020	2019
Total revenues	$ 8,604,767	$ 8,297,352
Total expenditures	(9,104,279)	(6,701,934)
Revenues over/(under) expenditures	$ (499,512)	$ 1,595,418

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.

During the current year, the District used existing debt service funds to redeem $1,730,000 of its outstanding Series 2010A bonds prior to their stated maturity. This early redemption will reduce total debt service payments over future years by approximately $980,809.

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of September 30, 2020 and 2019 is as follows:

	2020	2019
Total assets	$ 22,837,608	$ 42,396,437
Total liabilities	$ 4,197,480	$ 1,573,578
Total fund balance	18,640,128	40,822,859
Total liabilities and fund balance	$ 22,837,608	$ 42,396,437

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

	2020	2019
Total revenues	$ 313,407	$ 694,497
Total expenditures	(22,599,073)	(10,115,026)
Revenues under expenditures	(22,285,666)	(9,420,529)
Other changes in fund balance	102,935	38,405,566
Net change in fund balance	$ (22,182,731)	$ 28,985,037

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2019 Unlimited Tax Bonds issued in the prior year and previously issued bonds.

Special Revenue Fund

The District uses a Special Revenue Fund to account for the financial resources and activities of its surface water treatment plant. A comparative summary of the Special Revenue Fund's financial position as of September 30, 2020 and 2019 is as follows:

	2020	2019
Total assets	$ 7,290,366	$ 7,205,865
Total liabilities	$ 375,023	$ 327,630
Total fund balance	6,915,343	6,878,235
Total liabilities and fund balance	$ 7,290,366	$ 7,205,865

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

	2020	2019
Total revenues	$ 5,003,182	$ 4,723,494
Total expenditures	(4,827,151)	(3,685,611)
Revenues over expenditures	176,031	1,037,883
Other changes in fund balance	(138,923)	
Net change in fund balance	$ 37,108	$ 1,037,883

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

General Fund Budgetary Highlights

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was $2,202,265 less than budgeted. The *Budgetary Comparison Schedule* on page 50 of this report provides variance information per financial statement line item.

Capital Assets

Capital assets held by the District at September 30, 2020 and 2019 are summarized as follows:

	2020	2019
Capital assets not being depreciated		
Land and improvements	$ 4,109,897	$ 4,109,897
Construction in progress	35,191,622	8,647,241
	39,301,519	12,757,138
Capital assets being depreciated		
Infrastructure	137,219,178	135,761,651
Buildings and improvements	2,829,773	2,829,773
Furniture, vehicles, machinery and equipment	2,133,013	2,062,459
	142,181,964	140,653,883
Less accumulated depreciation		
Infrastructure	(55,582,993)	(52,659,105)
Buildings and improvements	(1,471,272)	(1,397,219)
Furniture, vehicles, machinery and equipment	(1,733,218)	(1,688,097)
	(58,787,483)	(55,744,421)
Depreciable capital assets, net	83,394,481	84,909,462
Capital assets, net	$ 122,696,000	$ 97,666,600

Capital asset additions during the current year include the following:

- Lift stations no. 8, 12 and 23 rehabilitation;
- Water well rework at Stafford Run Road;
- Wastewater treatment plant outfall replacement

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

- Wastewater treatment plant no. 2;
- Water plant no. 6 and elevated storage tank;
- Lift station no. 19 rehabilitation;
- Surface water transmission line Phase III; and Brand Lane water plant ground water storage tank connection;
- Dove Country subdivision rehabilitation;
- Water plant no. 2, 3, and 4 analyzer additions

Long-Term Debt and Related Liabilities

As of September 30, 2020, the District owes approximately $3,475,078 to developers for completed projects. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. The District intends to reimburse the developers from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

At September 30, 2020 and 2019, the District had total bonded debt outstanding as shown below:

Series	2020	2019
2010 Refunding	$ -	$ 710,000
2010A	1,805,000	3,690,000
2012	6,700,000	6,700,000
2012A	7,700,000	7,700,000
2013 Refunding	2,535,000	3,325,000
2015	15,435,000	15,905,000
2016 Refunding	20,875,000	22,430,000
2019	39,500,000	39,500,000
	$ 94,550,000	$ 99,960,000

At September 30, 2020, the District had $30,255,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water and sanitary sewer systems within the District and for refunding purposes.

Next Year's Budget

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

	2020 Actual	2021 Budget
Total revenues	$ 13,731,502	$ 16,623,850
Total expenditures	(16,026,168)	(16,544,050)
Revenues over/(under) expenditures	(2,294,666)	79,800
Other changes in fund balance	55,688	
Net change in fund balance	(2,238,978)	79,800
Beginning fund balance	20,609,686	18,370,708
Ending fund balance	$ 18,370,708	$ 18,450,508

Property Taxes

The District's property tax base increased approximately $565,255,667 for the 2020 tax year from $4,012,954,535 to $4,578,210,202. This increase was primarily due to new construction in the District and increased property values. For the 2020 tax year, the District has levied a debt service tax rate of $0.2125 per $100 of assessed value and a Defined Area No. 1 only tax rate of $0.515 per $100 of assessed value. The total combined tax rate for property not located in Defined Area No. 1 is $0.2125 per $100 of assessed value, while the total combined tax rate of property located in Defined Area No. 1 is $0.7275 per $100 of assessed value. These are the same tax rates levied for the 2019 tax year. See Note 13 for additional information on the Defined Area No. 1 tax.

Infectious Disease Outlook (COVID-19)

As further discussed in Note 16, the World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory virus currently affecting many parts of the world, including the United States and Texas. The pandemic has negatively affected the economic growth and financial markets worldwide and within Texas. While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak could have an adverse effect on the District's operations and financial condition by negatively affecting property taxes and ad valorem tax revenues within the District.

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Basic Financial Statements

Fort Bend County Water Control and Improvement District No. 2
Statement of Net Position and Governmental Funds Balance Sheet
September 30, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Special Revenue Fund	Total
Assets					
Cash and investments	$ 20,850,134	$ 6,486,346	$ 22,837,608	$ 6,985,889	$ 57,159,977
Taxes receivable		393,229			393,229
Customer service receivables, net	1,075,601				1,075,601
Internal balances	130			(130)	
Due from other governments				251,183	251,183
Prepaid items	171,675			19,112	190,787
Inventories	396,010			34,312	430,322
Capital assets not being depreciated					
Capital assets, net					
Total Assets	$ 22,493,550	$ 6,879,575	$ 22,837,608	$ 7,290,366	$ 59,501,099
Deferred Outflows of Resources					
Deferred outflows related to pensions					
Deferred difference on bond refunding					
Total Deferred Outflows of Resources					
Liabilities					
Accounts payable	$ 1,985,646	$ -	$ 2,090,288	$ 162,239	$ 4,238,173
Retainage payable	401,952		2,107,192	180,440	2,689,584
Other payables	345,463			32,344	377,807
Customer deposits	1,389,781				1,389,781
Accrued interest payable					
Due to developers					
Long-term debt					
Due within one year					
Due after one year					
Net pension liability					
Total OPEB liability					
Total Liabilities	4,122,842	-	4,197,480	375,023	8,695,345
Deferred Inflows of Resources					
Deferred property taxes		393,229			393,229
Deferred inflows related to pensions					
Total Deferred Inflows of Resources	-	393,229	-	-	393,229
Fund Balances/Net Position					
Fund Balances					
Nonspendable	567,685			53,424	621,109
Restricted		6,486,346	18,640,128		25,126,474
Committed	816,065			6,861,919	7,677,984
Unassigned	16,986,958				16,986,958
Total Fund Balances	18,370,708	6,486,346	18,640,128	6,915,343	50,412,525
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 22,493,550	$ 6,879,575	$ 22,837,608	$ 7,290,366	$ 59,501,099
Net Position					
Net investment in capital assets					
Restricted for debt service					
Unrestricted					
Total Net Position					

See notes to basic financial statements.

Adjustments	Statement of Net Position
$ -	$ 57,159,977
	393,229
	1,075,601
	251,183
	190,787
	430,322
39,301,519	39,301,519
83,394,481	83,394,481
122,696,000	182,197,099
216,495	216,495
1,202,388	1,202,388
1,418,883	1,418,883
	4,238,173
	2,689,584
	377,807
	1,389,781
276,913	276,913
3,475,078	3,475,078
3,090,000	3,090,000
92,959,578	92,959,578
94,188	94,188
41,947	41,947
99,937,704	108,633,049
(393,229)	
18,116	18,116
(375,113)	18,116
(621,109)	
(25,126,474)	
(7,677,984)	
(16,986,958)	
(50,412,525)	
43,013,860	43,013,860
6,602,662	6,602,662
25,348,295	25,348,295
$ 74,964,817	$ 74,964,817

Fort Bend County Water Control and Improvement District No. 2
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Special Revenue Fund	Total
Revenues					
Water service	$ 5,542,231	$ -	$ -	$ -	$ 5,542,231
Sewer service	4,344,628				4,344,628
Property taxes		8,450,662			8,450,662
Defined Area property taxes	593,228				593,228
Penalties and interest	58,546	39,714			98,260
Tap connection and inspection	946,724				946,724
Groundwater reduction fee	1,902,392			4,952,042	6,854,434
Miscellaneous	178,810	51,760			230,570
Investment earnings	164,943	62,631	313,407	51,140	592,121
Total Revenues	13,731,502	8,604,767	313,407	5,003,182	27,652,858
Expenditures/Expenses					
Current service operations					
Purchased services				523,954	523,954
Personnel	3,080,871			356,517	3,437,388
Professional fees	439,946			12,500	452,446
Contracted services		62,651			62,651
Utilities	709,065			100,508	809,573
Repairs and maintenance	2,558,469			1,016,184	3,574,653
Surface water fees	2,661,964				2,661,964
Groundwater credit				716,103	716,103
Capital cost credit				1,316,733	1,316,733
Administrative	454,756			19,804	474,560
Tap connection and inspection	426,742				426,742
Other	333,791			767	334,558
Defined Area public improvements	593,228				593,228
Capital outlay	4,767,336		22,599,073	764,081	28,130,490
Debt service					
Principal		3,680,000			3,680,000
Cash defeasance		1,730,000			1,730,000
Interest and fees		3,631,628			3,631,628
Depreciation					
Total Expenditures/Expenses	16,026,168	9,104,279	22,599,073	4,827,151	52,556,671
Revenues Over/(Under) Expenditures/Expenses	(2,294,666)	(499,512)	(22,285,666)	176,031	(24,903,813)
Other Financing Sources/(Uses)					
Proceeds from sale of capital assets	19,700				19,700
Internal transfers	35,988		102,935	(138,923)	
Other Item					
Gain on sale of assets					
Net Change in Fund Balances	(2,238,978)	(499,512)	(22,182,731)	37,108	(24,884,113)
Change in Net Position					
Fund Balance/Net Position					
Beginning of the year	20,609,686	6,985,858	40,822,859	6,878,235	75,296,638
End of the year	$ 18,370,708	$ 6,486,346	$ 18,640,128	$ 6,915,343	$ 50,412,525

See notes to basic financial statements.

Adjustments	Statement of Activities
$ -	$ 5,542,231
	4,344,628
67,610	8,518,272
	593,228
23,999	122,259
	946,724
	6,854,434
	230,570
	592,121
91,609	27,744,467
	523,954
(20,764)	3,416,624
	452,446
	62,651
	809,573
	3,574,653
	2,661,964
	716,103
	1,316,733
	474,560
	426,742
	334,558
	593,228
(28,130,490)	
(3,680,000)	
(1,730,000)	
7,239	3,638,867
3,101,091	3,101,091
(30,452,924)	22,103,747
30,544,533	5,640,720
(19,700)	
19,700	19,700
24,884,113	
5,660,420	5,660,420
(5,992,241)	69,304,397
$ 24,552,292	$ 74,964,817

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Note 1 – Summary of Significant Accounting Policies

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

Creation

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

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Restricted Resources

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

Prepaid Items

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At September 30, 2020, allowances of $66,830 was provided for possible water/sewer accounts, respectively. An allowance for uncollectible property taxes accounts was not considered necessary.

Inventory

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

Interfund Activity

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

Capital Assets

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

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

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

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

Deferred Inflows and Outflows of Financial Resources

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

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

At the government-wide level, the District has deferred inflows and deferred outflows related to the pension plan (see Note 9) provided to employees. The District also has deferred outflows of financial resources at the government-wide level from refunding bond transactions in which the amount required to repay the old debt exceeded the net carrying amount of the old debt. This amount is being amortized to interest expense.

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District's restricted fund balances consist of 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's committed fund balances consist of amounts restricted for the operation of the surface water plant in the Special Revenue Fund and amounts designated for the Fifth Street area in the General Fund.

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

Unassigned - all other spendable amounts in the General Fund.

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

Pensions

The District offers a defined benefit pension plan to its employees. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by Texas County & District Retirement System (TCDRS). For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 9 for additional information.

Note 1 – Summary of Significant Accounting Policies (continued)

Post-employment Benefits Other Than Pensions

The District offers post-employment benefits (OPEB) to its employees in the form of group term life insurance. For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to post-employment benefits and OPEB expense have been determined on the same basis as they are reported by TCDRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. See Note 10 for additional information on the District's postemployment benefits.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectibility of receivables; the value of unbilled utility revenues and receivables; the useful lives and impairment of capital assets; the value of amounts due to developers; the value of capital assets for which the developers have not been fully reimbursed; and the value of retirement benefits and the value of post-employment benefits. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds		$ 50,412,525
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	$ 181,483,483	
Less accumulated depreciation	(58,787,483)	
Change due to capital assets		122,696,000
The District provides retirement benefits to its employees through a defined benefit pension plan and group term life benefits through OPEB. Payments to employees are not due and payable in the current period and, therefore, are not recorded in the funds. The government wide statements include the following components of the District's pension and OPEB obligations:		
Deferred outflows related to pensions	216,495	
Deferred inflows related to pensions	(18,116)	
Net pension liability	(94,188)	
Total OPEB liability	(41,947)	
Change due to pensions		62,244
The difference between the face amount of bonds refunded and the amount paid to the escrow agent is recorded as a deferred difference on refunding in the *Statement of Net Position* and amortized to interest expense. It is not recorded in the fund statements because it is not a financial resource.		1,202,388
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	(96,049,578)	
Interest payable on bonds	(276,913)	
Due to developer	(3,475,078)	
Change due to long-term debt and related obligations		(99,801,569)
Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.		393,229
Total net position - governmental activities		$ 74,964,817

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		$ (24,884,113)
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.		91,609
Costs associated with benefits to be received by employees in the future do not use financial resources and are not recorded in the funds. They are, however, recorded as expenses when earned in the government wide statements.		20,764
Governmental funds report capital outlays for construction as expenditures in the funds; however, in the *Statement of Activities,* the cost of capital assets is charged to expense over the estimated useful life of the asset.		
Capital outlays	$ 28,130,490	
Depreciation expense	(3,101,091)	
		25,029,399
Principal payments on long-term debt use financial resources in the funds and are recorded as expenditures. At the government-wide level, payments reduce the liability for bonds payable. Interest is recorded in the funds when paid, but is accrued in the government wide statements.		
Cash defeasance	1,730,000	
Principal payments	3,680,000	
Interest expense accrual	(7,239)	
		5,402,761
Change in net position of governmental activities		$ 5,660,420

Note 3 – Deposits and Investments

	General Fund	Debt Service Fund	Capital Projects Fund	Special Revenue Fund	Total
Cash	$ 713,993	$ 48,020	$ 13,845	$ 503,532	$ 1,279,390
Investments	20,136,141	6,438,326	22,823,763	6,482,357	55,880,587
Total	$ 20,850,134	$ 6,486,346	$ 22,837,608	$ 6,985,889	$ 57,159,977

Deposit Custodial Credit Risk

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

Investments

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

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

Note 3 – Deposits and Investments (continued)

Investments (continued)

The District invests in a money market mutual fund, Deutsche Government Cash Institutional Shares, which is managed by Deutsch Asset Management. This fund is rated AAAm by Standard & Poor's and has a weighted average maturity of 19 days. As of September 30, 2020, the District's investments in this fund are $55,880,587 and are reported at fair value. Governmental accounting standards establish the following hierarchy of inputs used to measure fair value: Level 1 inputs are based on quoted prices in active markets, Level 2 inputs are based on significant other observable inputs, and Level 3 inputs are based on significant unobservable inputs. The District's investment in Deutsche Government Cash Institutional Shares is measured using published fair value per share (level 1 inputs).

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, 2020, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Special Revenue Fund	$ 130	Amounts owed for administrative costs paid by General Fund

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

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

Transfers Out	Transfers In	Amounts	Purpose
Special Revenue Fund	General Fund	$ 138,923	Construction costs related to Surface Water Transmission Line Phase 3
General Fund	Capital Projects Fund	102,935	Net transfer of amounts for funding infrastructure improvements within the District

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended September 30, 2020, is as follows:

	Beginning Balances	Additions	Retirements	Ending Balances
Capital assets not being depreciated				
Land and improvements	$ 4,109,897	$ -	$ -	$ 4,109,897
Construction in progress	8,647,241	28,130,490	(1,586,109)	35,191,622
	12,757,138	28,130,490	(1,586,109)	39,301,519
Capital assets being depreciated				
Infrastructure	135,761,651	1,457,527		137,219,178
Buildings and improvements	2,829,773			2,829,773
Furniture, vehicles and equipment	2,062,459	128,583	(58,029)	2,133,013
	140,653,883	1,586,110	(58,029)	142,181,964
Less accumulated depreciation				
Infrastructure	(52,659,105)	(2,923,889)		(55,582,993)
Buildings and improvements	(1,397,219)	(74,053)		(1,471,272)
Furniture, vehicles and equipment	(1,688,097)	(103,150)	58,029	(1,733,218)
	(55,744,421)	(3,101,092)	58,029	(58,787,483)
Subtotal depreciable capital assets, net	84,909,462	(1,514,982)		83,394,481
Capital assets, net	$ 97,666,600	$ 26,615,508	$ (1,586,109)	$ 122,696,000

Depreciation expense for the current year was $3,101,091.

The District has contractual commitments for construction projects as follows:

	Contract Amount	Amounts Paid	Remaining Commitment
Dove Country water and sewer rehabilitation	$ 2,364,785	$ 2,092,980	$ 271,805
Surface water transmission line phase III and Brand Lane water plant GST connection	2,023,771	1,702,993	320,778
Water plant no. 6 and elevated storage tank	12,955,052	9,343,094	3,611,958
Wastewater treatment plant no. 2, phase 1	40,528,300	11,758,853	28,769,447
Water line replacement at West Airport Road and FM 1092	168,384		168,384
Water plants no. 2, 3 and 4 analyzer additions	924,938	851,274	73,664
	$ 58,965,230	$ 25,749,194	$ 33,216,036

Note 6 – Due to Developers

The District has entered into financing agreements with its developers for the financing of certain construction projects. Under the agreements, the developers will advance funds for the construction of facilities to serve the District. The developers will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete. The initial cost is estimated based on construction costs plus 10-15% for engineering and other fees. Estimates are trued up when the developer is reimbursed.

The estimated amount due to developers at September 30, 2020 is approximately $3,475,078. There was no change in this liability from the prior year.

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	$	94,550,000
Unamortized discounts		(533,239)
Unamortized premium		2,032,817
	$	96,049,578
Due within one year	$	3,090,000

Note 7 – Long-Term Debt (continued)

The District's bonds payable at September 30, 2020, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2010A	$ 1,805,000	$ 4,800,000	3.60% - 4.20%	September 1, 2011/2029	March 1, September 1	September 1, 2020
2012	6,700,000	6,700,000	3.00% - 4.00%	September 1, 2027/2035	March 1, September 1	September 1, 2021
2012A	7,700,000	7,700,000	2.50% - 3.375%	September 1, 2024/2035	March 1, September 1	September 1, 2021
2013 Refunding	2,535,000	7,545,000	2.00% - 3.00%	September 1, 2013/2033	March 1, September 1	September 1, 2021
2015	15,435,000	17,500,000	3.00% - 4.00%	September 1, 2016/2040	March 1, September 1	September 1, 2023
2016 Refunding	20,875,000	25,320,000	2.00% - 4.00%	September 1, 2016/2033	March 1, September 1	September 1, 2023
2019	39,500,000	39,500,000	3.00% - 5.00%	September 1, 2024/2043	March 1, September 1	September 1, 2026
	$ 94,550,000					

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

At September 30, 2020, the District had authorized but unissued bonds in the amount of $30,255,000 for water and sewer facilities and for refunding purposes.

During the current year, the District used existing debt service funds to redeem $1,730,000 of its outstanding Series 2010A bonds prior to their stated maturity. This early redemption will reduce total debt service payments over future years by approximately $980,809.

Note 7 – Long-Term Debt (continued)

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

Bonds payable, beginning of year	$ 99,960,000
Bonds retired	(3,680,000)
Bonds defeased	(1,730,000)
Bonds payable, end of year	$ 94,550,000

As of September 30, 2020, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2021	$ 3,090,000	$ 3,437,511	$ 6,527,511
2022	3,215,000	3,330,805	6,545,805
2023	3,330,000	3,221,345	6,551,345
2024	3,000,000	3,107,955	6,107,955
2025	3,110,000	2,993,820	6,103,820
2026	3,225,000	2,875,651	6,100,651
2027	3,345,000	2,752,391	6,097,391
2028	3,465,000	2,634,071	6,099,071
2029	3,590,000	2,513,762	6,103,762
2030	3,465,000	2,387,669	5,852,669
2031	3,590,000	2,266,493	5,856,493
2032	3,715,000	2,138,631	5,853,631
2033	3,845,000	2,003,757	5,848,757
2034	3,985,000	1,864,300	5,849,300
2035	4,125,000	1,724,231	5,849,231
2036	4,610,000	1,575,081	6,185,081
2037	4,795,000	1,412,538	6,207,538
2038	4,985,000	1,237,475	6,222,475
2039	5,180,000	1,052,869	6,232,869
2040	5,390,000	861,025	6,251,025
2041	5,605,000	656,063	6,261,063
2042	5,830,000	445,875	6,275,875
2043	6,060,000	227,250	6,287,250
	$ 94,550,000	$ 46,720,568	$ 141,270,568

Note 8 – Property Taxes

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

Note 8 – Property Taxes (continued)

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

Property taxes are collected based on rates adopted in the year of the levy. The District's 2020 fiscal year was financed through the 2019 tax levy, pursuant to which the District levied a debt service tax rate of $0.2125 per $100 of assessed value and a Defined Area No. 1 only tax rate of $0.515 per $100 of assessed value. The total tax rate for property not located in Defined Area No. 1 is $0.2125 per $100 of assessed value, while the total combined tax rate of property located in Defined Area No. 1 is $0.7275 per $100 of assessed value. The resulting debt service tax levy was $8,527,528 on the adjusted taxable value of $4,012,954,535 and the resulting Defined Area No. 1 tax levy was $589,492 on the adjusted taxable value of $114,464,516.

Total property taxes receivable, at September 30, 2020, consisted of the following:

Current year taxes receivable	$ 118,227
Prior years taxes receivable	151,003
	269,230
Penalty and interest receivable	123,999
Total property taxes receivable	$ 393,229

Note 9 – Pension Plan

General Information about the Pension Plan

Plan Description

The District provides retirement, disability and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System ("TCDRS"). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of more than 700 nontraditional defined benefit pension plans. TCDRS, in the aggregate, issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034 or at www.tcdrs.org.

Note 9 – Pension Plan (continued)

General Information about the Pension Plan (continued)

Benefits Provided

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

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

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

Employees Covered

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Active employees	38
Inactive employees entitled to but not yet receiving benefits	13
Inactive employees or beneficiaries currently receiving benefits	4
Total	55

Contributions

Under the TCDRS Act, the retirement plan rate of the District is actuarially determined annually. The District contributed using the actuarially determined rate of 8.39% for calendar years 2019 and 2020. The contribution rate payable by the employee members was 7% for calendar years 2019 and 2020. During the current fiscal year, the District contributed the required contribution of $200,435.

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

Note 9 – Pension Plan (continued)

General Information about the Pension Plan (continued)

For the measurement year ended December 31, 2019, the District reported pension expense of $166,745, which was comprised of the following:

Service cost	$ 282,365
Interest on total pension liability (1)	248,491
Administrative expenses	2,436
Member contributions	(171,270)
Expected investment return net of investment expenses	(212,148)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	15,165
Recognition of assumption changes or inputs	2,002
Recognition of investment gains or losses	11,619
Other (2)	(11,915)
Pension Expense	$ 166,745

(1) Reflects the change in liability due to the time value of money.
(2) Relates to allocation of system-wide items.

At September 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference between expected and actual experience	$ 18,115	$ 106,397
Changes of assumptions		8,802
Net difference between projected and actual earnings	51,126	
Contributions made subsequent to measurement date		152,421

Deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	
2020	$ 9,682
2021	4,966
2022	23,701
2023	(19,626)
2024	19,873
Thereafter	7,362

Note 9 – Pension Plan (continued)

Net Pension Liability

The District's net pension liability is measured as the total pension liability less the pension plan's fiduciary net position. The net pension liability was measured as of December 31, 2019, using an actuarial valuation as of that date.

Actuarial Assumptions

All actuarial assumptions that determined the total pension liability as of December 31, 2019, were based on the results of an actuarial experience study for the period January 1, 2013 – December 31, 2016, except where required to be different by accounting standards.

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

Valuation date	December 31, 2019
Measurement date	December 31, 2019
Actuarial cost method	Entry Age Normal
Discount rate	8.10%
Inflation	2.75%
Overall payroll growth	3.25%
Investment rate of return	8.00%
Real rate of return	5.25%

The annual salary increase rates assumed for individual members vary by length of service and entry age group. The annual rate consist of a general wage inflation component of 3.25% (made up of 2.75% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% per year for a career employee.

Mortality rates for active members were based on the gender-distinct RP-2014 Active Employee Mortality Table, with rates of 90% for males and females. Mortality rates for retirees and beneficiaries were based on the gender-distinct RP2014 Healthy Annuitant Mortality Table, with rates of 130% for males and 110% for females. For disabled annuitants, the gender-distinct RP-2014 Disabled Mortality Table is used, with rates of 130% for males and 115% for females. The rates on all tables are projected with 110% of the MP-2014 Ultimate scale after that 2014.

The long-term expected rate of return on pension plan investments is 8.10%. The long-term expected rate of return on pension plan investments was determined by adding expected inflation to the expected long term real returns, and reflecting expected volatility and correlation. Note that the valuation assumption for long term expected return is re-assessed at a minimum of every four years, and is set based on a 30 year time horizon; the most recent analysis was performed in 2017.

Note 9 – Pension Plan (continued)

Net Pension Liability (continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
US Equities	14.50%	5.20%
Private Equity	20.00%	8.20%
Global Equities	2.50%	5.50%
International Equities - Developed	7.00%	5.20%
International Equities - Emerging	7.00%	5.70%
Investment Grade Bonds	3.00%	(0.20%)
Strategic Credit	12.00%	3.14%
Direct Lending	11.00%	7.16%
Distressed Debt	4.00%	6.90%
REIT Equities	3.00%	4.50%
Master Limited Partnerships	2.00%	8.40%
Private Real Estate Partnerships	6.00%	5.50%
Hedge Funds	8.00%	2.30%
Total	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 8.1%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active, inactive and retired employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 9 – Pension Plan (continued)

Changes in Net Pension Liability

	Changes in Net Pension Liability		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance as of December 31, 2018	$ 2,805,788	$ 2,450,228	$ 355,560
Changes for the year:			
Service cost	282,365		282,365
Interest on total pension liability (1)	248,491		248,491
Effect of economic/demographic gains or losses	(4,163)		(4,163)
Refund of contributions	(31,329)	(31,329)	
Benefit payments	(10,218)	(10,218)	
Administrative expenses		(2,436)	2,436
Member contributions		171,270	(171,270)
Net investment income		402,036	(402,036)
Employer contributions		205,280	(205,280)
Other		11,915	(11,915)
Balance as of December 31, 2019	$ 3,290,934	$ 3,196,746	$ 94,188

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

Sensitivity Analysis

The following presents the net pension liability of the District, calculated using the discount rate of 8.1%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.1%) or 1 percentage point higher (9.1%) than the current rate:

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	$ 3,800,796	$ 3,290,934	$ 2,866,644
Fiduciary net position	3,196,746	3,196,746	3,196,746
Net pension liability/(asset)	$ 604,050	$ 94,188	$ (330,102)

Payable to Pension Plan

At September 30, 2020, the District reported a payable of $27,849 for the outstanding amounts of contributions to the pension plan.

Note 10 – Other-Post Employment Benefits

General Information about the Other Post-Employment Benefits Plan

Plan Description

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

TCDRS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the GTL. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034 or at www.tcdrs.org.

Benefits Provided

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

Employees Covered

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Active employees	38
Inactive employees entitled to but not yet receiving benefits	0
Inactive employees or beneficiaries currently receiving benefits*	4
Total	42

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

Contributions

The District's contribution rate is calculated annually on an actuarial basis and is equal the cost of providing a one-year death benefit equal to $5,000. The contribution rates for the 2020 and 2019 calendar years were 0.31%. During the current fiscal year, the District contributed approximately $7,000.

Note 10 – Other-Post Employment Benefits (continued)

Total OPEB Liability (continued)

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

Valuation date	December 31, 2019
Measurement date	December 31, 2019
Actuarial cost method	Entry Age Normal
Discount rate	2.74%

Mortality rates for active members were based on the gender-distinct RP-2014 Active Employee Mortality Table, with rates of 90% for males and 90% for females. Mortality rates for retirees and beneficiaries were based on the gender-distinct RP2014 Healthy Annuitant Mortality Table, with rates of 130% for males and 110% for females. For disabled annuitants, the gender-distinct RP-2014 Disabled Mortality Table is used, with rates of 130% for males and 115% for females. The rates on all tables are projected with 110% of the MP-2014 Ultimate scale after that 2014.

Discount Rate

The discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 2.74% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2019.

Changes in Total OPEB Liability

Balance as of December 31, 2018	$	29,022
Changes for the year:		
Service cost		4,994
Interest on total OPEB liability (1)		1,390
Effect of economic/demographic grains or losses		(1,195)
Effect of assumptions changes or inputs (2)		7,981
Benefit payments		(245)
Balance as of December 31, 2019	$	41,947

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

(2) Reflects change in discount rate.

Note 10 – Other-Post Employment Benefits (continued)

Sensitivity Analysis

The following presents the total OPEB liability of the District, calculated using the discount rate of 2.74%, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.74%) or 1 percentage point higher (3.74%) than the current rate:

	1% Decrease 1.74%	Current Discount Rate 2.74%	1% Increase 3.74%
Total OPEB Liability	$ 49,433	$ 41,947	$ 35,866

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

The District has entered into an agreement with Fort Bend County to supply water and sewer services to the Fifth Street area, which is outside the District's boundaries. The contract terms initially required the District to maintain and operate the Fifth Street system through December 23, 2001. However, the District and Fort Bend County agreed to extend the contract in 2002 and 2007, each providing a five year extension, and agreed to extend the contract again in 2012, for a 10-year term ending January 1, 2022.

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

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

Each customer pays a monthly $4.00 surcharge to the District. These funds are designated for the Fifth Street Maintenance Fund as established by this agreement. These funds are used only to pay significant maintenance and repair work in the Fifth Street area. During the current year, the District billed $143,655 in surcharges. Accumulated maintenance fees in the amount of $784,860 are included with committed fund balances in the General Fund. The total committed fund balance associated with Fifth Street is $816,065.

Note 11 – Contract with Fort Bend County – Fifth Street Area (continued)

At September 30, 2020, the District has 339 water service connections and 319 sewer service connections in the Fifth Street area and has billed $158,578 for water service and $144,700 for sewer service, of which $48,211 remains uncollected. Customer deposits of $43,100 have been received from Fifth Street residents.

Note 12 – Groundwater Reduction Plan

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

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

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

Under the terms of the Agreement, the District is responsible for developing the GRP for the benefit of all participants; shall act as the GRP administrator in implementing the GRP; and will produce and distribute all surface water necessary to meet the requirements of the Regulatory Plan. The District has established a separate accounting fund (the "Surface Water Fund") to account for all pumpage fees and other revenues received and all costs incurred with the GRP and its implementation. The Surface Water Fund is reported as a Special Revenue Fund on the District's financial statements. Participants in the GRP pay the District a monthly pumpage fee for all groundwater pumped by the participant and receive a groundwater credit for all groundwater produced. For the current fiscal year, the pumpage fee was $2.00 per 1,000 gallons and the groundwater credit was $0.45 per 1,000 gallons. The District may adjust the pumpage fee or the groundwater credit as it deems appropriate at its sole discretion. The District receives a capital cost credit in the amount of $0.57 per 1,000 gallons to offset debt service payments on bonds issued to finance construction of the surface water plant. During the current fiscal year, the District recorded pumpage fees in the amount of $4,952,042, groundwater credits in the amount of $716,103 and capital cost credits in the amount of $1,316,733.

Note 12 – Groundwater Reduction Plan (continued)

The District and GCWA entered into that certain System Raw Water Availability Agreement dated July 2, 2014 (the "Prior GCWA Agreement"), which provides that GCWA will make 4.0 MGD of water available to the District, and includes an option for the District to purchase up to 6.5 MGD from GCWA in the future, which option expired July 2, 2020. During the current fiscal year, GCWA and the District entered into a System Raw Water Availability Agreement, effective September 1, 2020, which extended the term of the Prior GCWA Agreements term to August 31, 2045, and provides for GCWA to make available to the District up to 10.5 MGD of water (the "GCWA Agreement"). During the current fiscal year, the District recorded expenditures in the amount of $523,954 related to the GCWA Agreement and the Prior GCWA Agreement.

Note 13 – Defined Area Financing Agreement

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

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

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

Note 13 – Defined Area Financing Agreement (continued)

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

The Authority may issue bonds, secured by the District's payment and the special revenue fund, and may pledge and assign all or part of the payment and the special revenue fund to a developer, pursuant to a developer financing agreement between the developer and the Authority. The bonds shall be solely the obligation of the Authority and not obligations or indebtedness of the District, provided by the terms of the Contract. Subsequent to year end, the Authority issued its $4,620,000 Series 2020 Contract Revenue Road Bonds, which are secured by the Defined Area tax payment received from the District.

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

For the current fiscal year, the collections are derived from the 2019 tax year levy. The 2019 tax levy was $589,492 on the adjusted value of $114,464,516. During the current fiscal year, the District received collections of $593,228, all of which was remitted to the Authority.

Note 14 – Risk Management

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

Note 15 – 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. 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. On March 31, 2020, the Governor issued an executive order closing all non-essential businesses in the State, which expired on April 30, 2020. Additionally, all the counties in the greater Houston area adopted various "Work Safe – Stay Home" orders. Such actions are focused on limiting instances where the public can congregate or interact with each other

Note 15 – Infectious Disease Outlook (COVID-19) (continued)

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 the economic growth and financial markets worldwide and within Texas. These negative impacts may reduce or negatively affect property taxes and ad valorem tax revenues within the District.

While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of the Pandemic could have an adverse effect on the District's operations and financial condition.

Note 16 – Subsequent Events

On November 2, 2020, the District used debt service funds to redeem $1,470,000 of its outstanding Series 2010A bonds prior to their stated maturity. This early redemption will reduce total debt service payments over future years by approximately $371,960.

The Authority issued its $4,620,000 Contract Revenue Road Bonds, Series 2020. These bonds, dated December 1, 2020, are secured by the Defined Area tax payments received from the District (see Note 13). The District has no other financial obligations related to bonds issued by the Authority.

The District submitted a bond application to the TCEQ for approval of the issuance of $18,000,000 of unlimited tax bonds to (i) reimburse developers for infrastructure improvements in the District, (ii) provide funds for the design of the surface water treatment plant expansion and (iii) provide funds for a portion of wastewater treatment plant no. 2 expansion construction costs. The bond application was declared administratively complete by the TCEQ on December 15, 2020, and is currently under review by the TCEQ.

During the current fiscal year, Vigavi SRDC, LLC requested that the District annex into its boundaries an approximately 8.1462 acre tract located at the intersection of Stafford Road and Cravens Road in the extraterritorial jurisdiction of the City of Stafford (the "Tract). Subsequent to year end, on December 16, 2020, the District annexed the Tract into the District's boundaries.

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Required Supplementary Information

Fort Bend County Water Control and Improvement District No. 2
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2020

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water service	$ 5,517,800	$ 5,542,231	$ 24,431
Sewer service	4,565,000	4,344,628	(220,372)
Defined Area property taxes		593,228	593,228
Penalties and interest	113,000	58,546	(54,454)
Tap connection and inspection	564,700	946,724	382,024
Groundwater reduction fee	1,895,000	1,902,392	7,392
Miscellaneous	176,250	178,810	2,560
Investment earnings	350,000	164,943	(185,057)
Total Revenues	13,181,750	13,731,502	549,752
Expenditures			
Current service operations			
Personnel	3,449,828	3,080,871	368,957
Professional fees	547,500	439,946	107,554
Utilities	739,000	709,065	29,935
Repairs and maintenance	2,986,250	2,558,469	427,781
Surface water fees	2,500,000	2,661,964	(161,964)
Administrative	621,035	454,756	166,279
Tap connection and inspection	350,000	426,742	(76,742)
Other	422,850	333,791	89,059
Defined Area public improvements		593,228	(593,228)
Capital outlay	1,612,000	4,767,336	(3,155,336)
Total Expenditures	13,228,463	16,026,168	(2,797,705)
Revenues Under Expenditures	(46,713)	(2,294,666)	(2,247,953)
Other Financing Sources			
Proceeds from sale of capital assets	10,000	19,700	9,700
Internal transfers		35,988	35,988
Net Change in Fund Balance	(36,713)	(2,238,978)	(2,202,265)
Fund Balance			
Beginning of the year	20,609,686	20,609,686	
End of the year	$ 20,572,973	$ 18,370,708	$ (2,202,265)

Fort Bend County Water Control and Improvement District No. 2
Required Supplementary Information - Budgetary Comparison Schedule -
Special Revenue Fund
For the Year Ended September 30, 2020

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Groundwater reduction fee	$ 4,600,000	$ 4,952,042	$ 352,042
Investment earnings	135,000	51,140	(83,860)
Total Revenues	4,735,000	5,003,182	268,182
Expenditures			
Current service operations			
Purchased services	960,000	523,954	436,046
Personnel	395,638	356,517	39,121
Professional fees	5,000	12,500	(7,500)
Utilities	110,000	100,508	9,492
Repairs and maintenance	1,278,000	1,016,184	261,816
Groundwater credit	750,000	716,103	33,897
Capital cost credit	1,285,000	1,316,733	(31,733)
Administrative	30,000	19,804	10,196
Other	17,900	767	17,133
Capital outlay	275,000	764,081	(489,081)
Total Expenditures	5,106,538	4,827,151	279,387
Revenues Over/(Under) Expenditures	(371,538)	176,031	547,569
Other Financing Uses			
Internal transfers		(138,923)	(138,923)
Net Change in Fund Balance	(371,538)	37,108	408,646
Fund Balance			
Beginning of the year	6,878,235	6,878,235	
End of the year	$ 6,506,697	$ 6,915,343	$ 408,646

Fort Bend County Water Control and Improvement District No. 2
Schedule of Changes in Net Pension Liability and Related Ratios - Last Ten Years*
September 30, 2020

	Measurement Year Ended December 31,			
	2019	2018	2017	2016
Total Pension Liability				
Service cost	$ 282,365	$ 265,975	$ 241,665	$ 228,010
Interest on total pension liability (1)	248,491	205,506	163,477	126,328
Effect of plan changes				
Effect of assumption changes or inputs			6,358	
Effect of economic/demographic (gains)/losses	(4,163)	67,261	89,522	(20,324)
Benefit payments/refunds of contributions	(41,547)	(8,021)	(4,953)	(5,573)
Net change in total pension liability	485,146	530,721	496,069	328,441
Total pension liability, beginning	2,805,788	2,275,067	1,778,998	1,450,557
Total pension liability, ending	3,290,934	2,805,788	2,275,067	1,778,998
Fiduciary Net Position				
Employer contributions	205,280	193,055	182,941	286,797
Member contributions	171,270	161,071	152,633	140,794
Investment income of net investment expenses	402,036	(35,842)	233,630	78,266
Benefit payments/refunds of contributions	(41,547)	(8,021)	(4,953)	(5,573)
Administrative expenses	(2,436)	(1,968)	(1,417)	(851)
Other	11,915	10,525	4,417	27,088
Net change in fiduciary net position	746,518	318,820	567,251	526,521
Fiduciary net position, beginning	2,450,228	2,131,408	1,564,157	1,037,636
Fiduciary net position, ending	3,196,746	2,450,228	2,131,408	1,564,157
Net pension liability, ending	$ 94,188	$ 355,560	$ 143,659	$ 214,841

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

Fiduciary net position as a % of total pension liability	97.14%	87.33%	93.69%	87.92%
Pensionable covered payroll	$ 2,446,720	$ 2,301,010	$ 2,180,477	$ 2,011,340
Net pension liability as a % of covered payroll	3.85%	15.45%	6.59%	10.68%

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

December 31,	
2015	2014
$ 135,509	$ 135,210
97,030	74,331
190,648	
10,864	
(1,745)	(10,606)
(28,300)	(7,381)
404,006	191,554
1,046,551	854,997
1,450,557	1,046,551
63,563	123,115
117,347	115,981
(15,742)	43,865
(28,301)	(7,381)
(711)	(596)
(304)	4,252
135,852	279,236
901,784	622,548
1,037,636	901,784
$ 412,921	$ 144,767
71.53%	86.17%
$ 1,955,786	$ 1,933,018
21.11%	7.49%

Fort Bend County Water Control and Improvement District No. 2
Schedule of Changes in Total OPEB Liability and Related Ratios - Last Ten Years*
September 30, 2020

	Measurement Year Ended December 31,		
	2019	2018	2017
Total OPEB Liability			
Service Cost	$ 4,994	$ 5,598	$ 5,048
Interest on total OPEB liability (1)	1,390	1,190	1,176
Effect of assumption changes or inputs	7,981	(3,138)	815
Effect of economic/demographic (gains)/losses	(1,195)	(3,494)	(3,903)
Benefit payments/refunds of contributions	(245)	(230)	(218)
Net change in total OPEB liability	12,925	(74)	2,918
Total OPEB liability, beginning	29,022	29,096	26,178
Total OPEB liability, ending	$ 41,947	$ 29,022	$ 29,096

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

Pensionable covered payroll	$ 2,446,720	$ 2,301,010	$ 2,180,477
Net OPEB liability/(asset) as a % of covered payroll	1.71%	1.26%	1.33%

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

Fort Bend County Water Control and Improvement District No. 2
Schedule of Employer Contributions - Last Ten Years
For the Year Ended September 30, 2020

Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2010	**	**	**	**	**
2011	39,049	93,949	(54,900)	1,531,318	6.1%
2012	49,049	55,204	(6,155)	1,923,502	2.9%
2013	64,550	158,627	(94,077)	1,950,157	8.1%
2014	80,027	123,115	(43,088)	1,933,018	6.4%
2015	63,563	63,563	-	1,955,786	3.2%
2016	176,797	286,797	(110,000)	2,011,340	14.3%
2017	164,844	182,941	(18,097)	2,180,477	8.4%
2018	176,718	193,055	(16,337)	2,301,010	8.4%
2019	187,419	205,280	(17,861)	2,446,720	8.4%

Note A - Budgets and Budgetary Accounting

Annual unappropriated budgets are adopted for the General Fund and Special Revenue Fund by the District's Board of Directors. The budgets are prepared using the same method of accounting as for financial reporting. There were no amendments to the budgets during the year.

Note B - Employer Contributions to Pension Plan

Valuation Date

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

Actuarial Methods and Assumptions

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	6.6 years (based on contribution rate calculated in 12/31/2019 valuation)
Asset valuation method	Five year smoothed market
Inflation	2.75%
Salary increases	Varies by age and service. 4.9% average over career including inflation
Investment rate of return	8.00%, net of administrative and investment expenses, including inflation
Retirement age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2015: New inflation, mortality and other assumptions reflected 2017: New mortality assumptions were reflected

Note B - Employer Contributions to Pension Plan (continued)

Actuarial Methods and Assumptions (continued)

Changes in Plan Provisions Reflected in the Schedule	2015: No changes in plan provisions were reflected in the schedule 2016: Employer contributions reflect that the member contribution rate was increased to 7% and the current service matching rate was increased to 200% for future benefits. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule. 2019: No changes in plan provisions were reflected in the Schedule.

Note C - Employer Contributions to Other-Post Employment Benefits

Valuation Date

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

Actuarial Methods and Assumptions

Actuarial cost method	Entry age normal
Amortization method	Straight-line amortization over expected working life
Discount rate	2.74% (based on the 20 year Bond GO Index published by bondbuyer.com as of 12/31/19)
Disability	Custom table based on TCDRS experience
Mortality	90% of the RP-2014 Healthy Annuitant Mortality Table for males and 90% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Retirement age	Custom table based on TCDRS experience
Other Termination of Employment	Custom table based on TCDRS experience

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Texas Supplementary Information

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

[X] Retail Water	[X] Wholesale Water	[X] Solid Waste/Garbage	[ ] Drainage
[X] Retail Wastewater	[ ] Wholesale Wastewater	[ ] Flood Control	[ ] Irrigation
[ ] Parks / Recreation	[ ] Fire Protection	[ ] Roads	[ ] Security

[ ] Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)

[ ] Other (Specify): ______

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels		
Water:	$ 8.50	0-5,000	N	$ 1.70	5,001	to	10,000
				$ 1.95	10,001	to	25,000
				$ 2.50	25,001	to	50,000
				$ 2.75	50,001	to	75,000
				$ 3.00	75,001	to	100,000
				$ 3.25	100,001	to	no limit
Wastewater:	$ 15.00	N/A	Y	N/A	N/A	to	N/A
Surface Water:	N/A	N/A	N	$ 0.81	0	to	no limit

District employs winter averaging for wastewater usage? [ ] Yes [X] No

Total charges per 10,000 gallons usage: Water $ 23.80 Wastewater $ 15.00

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	6,676	6,520	x 1.0	6,520
1"	389	389	x 2.5	973
1.5"	88	88	x 5.0	440
2"	617	617	x 8.0	4,936
3"	72	72	x 15.0	1,080
4"	22	22	x 25.0	550
6"	15	15	x 50.0	750
8"	33	33	x 80.0	2,640
10"	8	8	x 115.0	920
Total Water	7,920	7,764		18,809
Total Wastewater	7,440	7,284	x 1.0	7,284

See accompanying auditor's report.

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):
   (You may omit this information if your district does not provide water)

Gallons pumped into system:	2,306,820,000	Water Accountability Ratio: (Gallons billed & sold / Gallons pumped)	
Gallons billed to customers:	1,954,102,000	86.43%	
Gallons sold to HC MUD 122:	39,723,000		

4. Standby Fees (authorized only under TWC Section 49.231):
   (You may omit this information if your district does not levy standby fees)

   Does the District have Debt Service standby fees? Yes [ ] No [X]

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

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

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

5. Location of District (required for first audit year or when information changes, otherwise this information may be omitted):

   Is the District located entirely within one county? Yes [ ] No [X]

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

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

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

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

   Entirely [ ] Partly [X] Not at all [ ]

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

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

   If Yes, by whom? ______

See accompanying auditors' report.

Fort Bend County Water Control and Improvement District No. 2
TSI-2 General Fund Expenditures
For the Year Ended September 30, 2020

Personnel (including benefits)*	$ 3,080,871
Professional fees	
Legal	226,633
Audit	45,000
Engineering	168,313
	439,946
Utilities	709,065
Repairs and maintenance	2,558,469
Surface water fees	2,661,964
Administrative	
Directors fees	13,500
Insurance	139,103
Other	302,153
	454,756
Tap connection and inspection	426,742
Other	333,791
Defined Area public improvements	593,228
Capital outlay	4,767,336
Total expenditures	$ 16,026,168

*Number of persons employed by the District: 40 Full-time 0 Part-time

See accompanying auditors' report.

Fort Bend County Water Control and Improvement District No. 2
TSI-3. Investments
September 30, 2020

Fund	Interest Rate	Maturity Date	Balance at End of Year
General			
Cash Accounts Trust	Variable	Demand	$ 2,564,616
Cash Accounts Trust	Variable	Demand	17,571,525
			20,136,141
Debt Service			
Cash Accounts Trust	Variable	Demand	6,438,326
Capital Projects			
Cash Accounts Trust	Variable	Demand	22,823,763
Special Revenue			
Cash Accounts Trust	Variable	Demand	6,482,357
Total - All Funds			$ 55,880,587

See accompanying auditors' report.

Fort Bend County Water Control and Improvement District No. 2
TSI-4. Taxes Levied and Receivable
September 30, 2020

	Debt Service Taxes	Defined Area Tax
Taxes Receivable, Beginning of Year	$ 201,618	$ -
Adjustments	(10,932)	
Adjusted Receivable	190,686	-
2019 Original Tax Levy	8,474,675	640,007
Adjustments	52,853	(50,515)
Adjusted Tax Levy	8,527,528	589,492
Rendition Penalties	24,100	3,736
Total to be accounted for	8,742,314	593,228
Tax collections:		
Current year	8,433,401	593,228
Prior years	39,683	
Total Collections	8,473,084	593,228
Taxes Receivable, End of Year	$ 269,230	$ -
Taxes Receivable, By Years		
2019	$ 118,227	$ -
2018	33,037	
2017	33,677	
2016 and prior	84,289	
Taxes Receivable, End of Year	$ 269,230	$ -

	2019	2018	2017	2016
Debt Service:				
Property Valuations:				
Land	$ 625,065,957	$ 608,711,872	$ 570,330,368	$ 567,567,274
Improvements	2,732,619,165	2,542,258,367	2,438,627,223	2,330,105,969
Personal Property	1,385,827,902	1,200,977,175	1,178,737,021	1,221,789,430
Exemptions	(730,558,489)	(628,274,995)	(612,730,095)	(694,497,525)
Total Property Valuations	$ 4,012,954,535	$ 3,723,672,419	$ 3,574,964,517	$ 3,424,965,148
Tax Rates per $100 Valuation:				
Debt service tax rates	$ 0.2125	$ 0.2125	$ 0.2125	$ 0.2125
Adjusted Tax Levy:	$ 8,527,528	$ 7,912,804	$ 7,596,800	$ 7,278,051
Percentage of Taxes Collected to Taxes Levied **	98.61%	99.58%	99.56%	99.80%
Defined Area:				
Property Valuation	$ 114,464,516	$ 69,391,949	$ 41,479,530	$ -
Tax Rate per $100 Valuation:	$ 0.515	$ 0.515	$ 0.515	
Adjusted Tax Levy:	$ 589,492	$ 357,369	$ 213,620	
Percentage of Taxes Collected	100%	100%	100%	

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

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

See accompanying auditors' report.

Fort Bend County Water Control and Improvement District No. 2
TSI-5. Long-Term Debt Service Requirements
Series 2010A--by Years
September 30, 2020

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2021	$ 165,000	$ 71,986	$ 236,986
2022	170,000	65,880	235,880
2023	180,000	59,420	239,420
2024	190,000	52,580	242,580
2025	200,000	45,170	245,170
2026	210,000	37,370	247,370
2027	220,000	28,760	248,760
2028	230,000	19,740	249,740
2029	240,000	10,080	250,080
	$ 1,805,000	$ 390,986	$ 2,195,986

See accompanying auditors' report.

Fort Bend County Water Control and Improvement District No. 2
TSI-5. Long-Term Debt Service Requirements
Series 2012--by Years
September 30, 2020

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2021	$ -	$ 241,400	$ 241,400
2022		241,400	241,400
2023		241,400	241,400
2024		241,400	241,400
2025		241,400	241,400
2026		241,400	241,400
2027	280,000	241,400	521,400
2028	260,000	230,200	490,200
2029	295,000	222,400	517,400
2030	280,000	212,812	492,812
2031	325,000	203,712	528,712
2032	320,000	192,744	512,744
2033	370,000	181,544	551,544
2034	2,225,000	168,594	2,393,594
2035	2,345,000	87,938	2,432,938
	$ 6,700,000	$ 3,189,744	$ 9,889,744

See accompanying auditors' report.

Fort Bend County Water Control and Improvement District No. 2
TSI-5. Long-Term Debt Service Requirements
Series 2012A--by Years
September 30, 2020

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2021	$ -	$ 236,925	$ 236,925
2022		236,925	236,925
2023		236,925	236,925
2024	175,000	236,925	411,925
2025	195,000	232,550	427,550
2026	220,000	227,431	447,431
2027	690,000	220,831	910,831
2028	715,000	200,131	915,131
2029	740,000	178,682	918,682
2030	765,000	156,482	921,482
2031	790,000	133,531	923,531
2032	820,000	109,831	929,831
2033	845,000	84,207	929,207
2034	875,000	57,800	932,800
2035	870,000	29,362	899,362
	$ 7,700,000	$ 2,578,538	$ 10,278,538

See accompanying auditors' report.

Fort Bend County Water Control and Improvement District No. 2
TSI-5. Long-Term Debt Service Requirements
Series 2013 Refunding--by Years
September 30, 2020

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2021	$ 820,000	$ 67,850	$ 887,850
2022	850,000	51,450	901,450
2023	865,000	25,950	890,950
	$ 2,535,000	$ 145,250	$ 2,680,250

See accompanying auditors' report.

Fort Bend County Water Control and Improvement District No. 2
TSI-5. Long-Term Debt Service Requirements
Series 2015--by Years
September 30, 2020

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2021	$ 490,000	$ 526,075	$ 1,016,075
2022	515,000	506,475	1,021,475
2023	540,000	496,175	1,036,175
2024	560,000	485,375	1,045,375
2025	585,000	468,575	1,053,575
2026	615,000	451,025	1,066,025
2027	640,000	432,575	1,072,575
2028	670,000	413,375	1,083,375
2029	700,000	393,275	1,093,275
2030	730,000	371,400	1,101,400
2031	765,000	347,675	1,112,675
2032	800,000	321,856	1,121,856
2033	835,000	293,856	1,128,856
2034	870,000	264,631	1,134,631
2035	910,000	234,181	1,144,181
2036	955,000	202,331	1,157,331
2037	995,000	167,713	1,162,713
2038	1,040,000	130,400	1,170,400
2039	1,085,000	88,800	1,173,800
2040	1,135,000	45,400	1,180,400
	$ 15,435,000	$ 6,641,168	$ 22,076,168

See accompanying auditors' report.

Fort Bend County Water Control and Improvement District No. 2
TSI-5. Long-Term Debt Service Requirements
Series 2016 Refunding--by Years
September 30, 2020

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2021	$ 1,615,000	$ 835,000	$ 2,450,000
2022	1,680,000	770,400	2,450,400
2023	1,745,000	703,200	2,448,200
2024	1,820,000	633,400	2,453,400
2025	1,880,000	560,600	2,440,600
2026	1,940,000	485,400	2,425,400
2027	1,275,000	407,800	1,682,800
2028	1,360,000	356,800	1,716,800
2029	1,390,000	302,400	1,692,400
2030	1,470,000	246,800	1,716,800
2031	1,505,000	188,000	1,693,000
2032	1,585,000	127,800	1,712,800
2033	1,610,000	64,400	1,674,400
	$ 20,875,000	$ 5,682,000	$ 26,557,000

See accompanying auditors' report.

Fort Bend County Water Control and Improvement District No. 2
TSI-5. Long-Term Debt Service Requirements
Series 2019--by Years
September 30, 2020

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2021	$ -	$ 1,458,275	$ 1,458,275
2022		1,458,275	1,458,275
2023		1,458,275	1,458,275
2024	255,000	1,458,275	1,713,275
2025	250,000	1,445,525	1,695,525
2026	240,000	1,433,025	1,673,025
2027	240,000	1,421,025	1,661,025
2028	230,000	1,413,825	1,643,825
2029	225,000	1,406,925	1,631,925
2030	220,000	1,400,175	1,620,175
2031	205,000	1,393,575	1,598,575
2032	190,000	1,386,400	1,576,400
2033	185,000	1,379,750	1,564,750
2034	15,000	1,373,275	1,388,275
2035		1,372,750	1,372,750
2036	3,655,000	1,372,750	5,027,750
2037	3,800,000	1,244,825	5,044,825
2038	3,945,000	1,107,075	5,052,075
2039	4,095,000	964,069	5,059,069
2040	4,255,000	815,625	5,070,625
2041	5,605,000	656,063	6,261,063
2042	5,830,000	445,875	6,275,875
2043	6,060,000	227,250	6,287,250
	$ 39,500,000	$ 28,092,882	$ 67,592,882

See accompanying auditors' report.

Fort Bend County Water Control and Improvement District No. 2
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
September 30, 2020

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2021	$ 3,090,000	$ 3,437,511	$ 6,527,511
2022	3,215,000	3,330,805	6,545,805
2023	3,330,000	3,221,345	6,551,345
2024	3,000,000	3,107,955	6,107,955
2025	3,110,000	2,993,820	6,103,820
2026	3,225,000	2,875,651	6,100,651
2027	3,345,000	2,752,391	6,097,391
2028	3,465,000	2,634,071	6,099,071
2029	3,590,000	2,513,762	6,103,762
2030	3,465,000	2,387,669	5,852,669
2031	3,590,000	2,266,493	5,856,493
2032	3,715,000	2,138,631	5,853,631
2033	3,845,000	2,003,757	5,848,757
2034	3,985,000	1,864,300	5,849,300
2035	4,125,000	1,724,231	5,849,231
2036	4,610,000	1,575,081	6,185,081
2037	4,795,000	1,412,538	6,207,538
2038	4,985,000	1,237,475	6,222,475
2039	5,180,000	1,052,869	6,232,869
2040	5,390,000	861,025	6,251,025
2041	5,605,000	656,063	6,261,063
2042	5,830,000	445,875	6,275,875
2043	6,060,000	227,250	6,287,250
	$ 94,550,000	$ 46,720,568	$ 141,270,568

See accompanying auditors' report.

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Fort Bend County Water Control and Improvement District No. 2
TSI-6. Change in Long-Term Bonded Debt
September 30, 2020

	Bond Issue			
	Series 2010 Refunding	Series 2010A	Series 2012	Series 2012A
Interest rate	2.00% - 5.00%	3.60% - 4.20%	3.00% - 4.00%	2.50% - 3.375%
Dates interest payable	3/1; 9/1	3/1; 9/1	3/1; 9/1	3/1; 9/1
Maturity dates	9/1/10 - 9/1/20	9/1/11 - 9/1/29	9/1/27 - 9/1/35	9/1/24 - 9/1/35
Beginning bonds outstanding	$ 710,000	$ 3,690,000	$ 6,700,000	$ 7,700,000
Bonds defeased		(1,730,000)		
Bonds retired	(710,000)	(155,000)		
Ending bonds outstanding	$ -	$ 1,805,000	$ 6,700,000	$ 7,700,000
Interest paid during fiscal year	$ 35,500	$ 131,553	$ 241,400	$ 236,925

Paying agent's name and city	
Series 2008, 2010R and 2010A	Wells Fargo Bank, N.A. - Houston, Texas
All other series	The Bank of New York Mellon Trust Company, N.A.

Bond Authority:	Water, Sewer and Refunding Bonds
Amount Authorized by Voters	$ 189,985,000
Amount Issued	(159,730,000)
Remaining To Be Issued	$ 30,255,000

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

Debt Service Fund cash and investment balances as of September 30, 2020: $ 6,486,346

Average annual debt service payment (principal and interest) for remaining term of all debt: $ 6,142,199

See accompanying auditors' report.

Bond Issue				
Series 2013 Refunding	Series 2015	Series 2016 Refunding	Series 2019	Totals
2.00% - 3.00%	3.00% - 4.00%	2.00% - 4.00%	3.00% - 5.00%	
3/1; 9/1	3/1; 9/1	3/1; 9/1	3/1; 9/1	
9/1/13 - 9/1/23	9/1/16 - 9/1/40	9/1/16 - 9/1/33	9/1/24 - 9/1/43	
$ 3,325,000	$ 15,905,000	$ 22,430,000	$ 39,500,000	$ 99,960,000
				(1,730,000)
(790,000)	(470,000)	(1,555,000)		(3,680,000)
$ 2,535,000	$ 15,435,000	$ 20,875,000	$ 39,500,000	$ 94,550,000
$ 83,650	$ 544,875	$ 889,200	$ 1,458,275	$ 3,621,378

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

	Amounts				
	2020	2019	2018	2017	2016
Revenues					
Water service	$ 5,542,231	$ 5,287,694	$ 5,345,962	$ 5,345,090	$ 5,247,440
Sewer service	4,344,628	4,365,515	4,337,995	4,237,354	4,115,854
Defined Area property taxes	593,228	357,369	213,620		
Penalties and interest	58,546	133,880	95,160	102,235	112,561
Tap connection and inspection	946,724	1,290,287	532,776	258,308	626,202
Groundwater reduction fee	1,902,392	1,843,482	1,519,288	1,326,316	1,301,604
Miscellaneous	178,810	352,019	263,839	495,536	328,653
Investment earnings	164,943	429,073	256,226	98,628	30,379
Total Revenues	13,731,502	14,059,319	12,564,866	11,863,467	11,762,693
Expenditures					
Current service operations					
Personnel	3,080,871	3,050,593	2,653,723	2,922,696	2,502,763
Professional fees	439,946	316,577	436,541	597,510	439,951
Utilities	709,065	661,932	686,648	664,407	704,229
Repairs and maintenance	2,558,469	2,944,734	2,712,685	1,774,877	1,747,406
Surface water fees	2,661,964	2,441,184	2,012,257	1,735,804	1,721,480
Administrative	454,756	461,673	465,750	434,678	431,680
Tap connection and inspection	426,742	587,122	138,877	85,542	220,398
Other	333,791	319,415	316,382	356,410	341,451
Defined Area public improvements	593,228	357,369	213,620		
Capital outlay	4,767,336	937,697	1,597,086	1,753,131	124,060
Total Expenditures	16,026,168	12,078,296	11,233,569	10,325,055	8,233,418
Revenues Over (Under) Expenditures	$ (2,294,666)	$ 1,981,023	$ 1,331,297	$ 1,538,412	$ 3,529,275

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues				
2020	2019	2018	2017	2016
41%	37%	42%	45%	45%
32%	31%	35%	36%	35%
4%	3%	2%		
*	1%	1%	1%	1%
7%	9%	4%	2%	5%
14%	13%	12%	11%	11%
1%	3%	2%	4%	3%
1%	3%	2%	1%	*
100%	100%	100%	100%	100%
22%	22%	21%	25%	21%
3%	2%	3%	5%	4%
5%	5%	5%	6%	6%
19%	21%	22%	15%	15%
19%	17%	16%	15%	15%
3%	3%	4%	4%	4%
3%	4%	1%	1%	2%
2%	2%	3%	3%	3%
4%	3%	2%		
35%	7%	13%	15%	1%
115%	86%	90%	89%	71%
(15%)	14%	10%	11%	29%

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

	Amounts				
	2020	2019	2018	2017	2016
Revenues					
Property taxes	$ 8,450,662	$ 7,986,557	$ 7,542,997	$ 7,286,288	$ 5,939,590
Penalties and interest	39,714	49,569	41,677	37,874	27,361
Accrued interest on bonds sold					59,220
Miscellaneous	51,760	42,889	25,763	47,531	3,162
Investment earnings	62,631	218,337	115,367	41,301	13,282
Total Revenues	8,604,767	8,297,352	7,725,804	7,412,994	6,042,615
Expenditures					
Tax collection services	62,651	64,894	57,137	50,891	41,775
Debt service					
Principal	3,680,000	3,585,000	3,420,000	3,600,000	3,510,000
Cash defeasance	1,730,000				
Interest and fees	3,631,628	3,052,040	2,423,450	2,546,725	2,770,896
Debt issuance costs					568,769
Total Expenditures	9,104,279	6,701,934	5,900,587	6,197,616	6,891,440
Revenues Over (Under) Expenditures	$ (499,512)	$ 1,595,418	$ 1,825,217	$ 1,215,378	$ (848,825)
Total Active Retail Water Connections	7,764	7,852	7,498	7,571	7,376
Total Active Retail Wastewater	7,284	7,389	7,179	7,118	6,928

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues				
2020	2019	2018	2017	2016
98%	95%	98%	97%	99%
*	1%	1%	1%	*
				1%
1%	1%	*	1%	*
1%	3%	1%	1%	*
100%	100%	100%	100%	100%
1%	1%	1%	1%	1%
43%	43%	44%	49%	58%
20%				
42%	37%	31%	34%	46%
				9%
106%	81%	76%	84%	114%
(6%)	19%	24%	16%	(14%)

Fort Bend County Water Control and Improvement District No. 2
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended September 30, 2020

Complete District Mailing Address:	2231 South Main Street, Stafford, Texas 77477
District Business Telephone Number:	281-499-1031
Submission Date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	May 27, 2020
Limit on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution -- TWC Section 49.0600)	$ 7,200

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse-ments	Title at Year End
Board Members:				
Linda Walker	05/18 - 05/22	$ 3,450	$ -	President
Jody Court	05/20 - 05/24	2,250		Vice President
John K. Rose	05/16 - 05/20	3,450		Assistant Secretary
Hector Acevedo	05/18 - 12/20	2,850		Former Director
John Ferro	05/16 - 05/20	1,500		Former Director
		Amounts Paid		
Key Administrative Personnel:				
Owen Matherne	1993	$ 131,642		General Manager
Jason Kirby	2012	135,275		District Engineer
Consultants:				
Allen Boone Humphries Robinson LLP	2003	197,678		Attorney
Fort Bend Central Appraisal District	Legislative Action	54,413		Property Valuation
Harris County Appraisal District	Legislative Action	1,123		Property Valuation
McFarland, PLLC	2011			Attorney Condemnation Matters
Jones & Carter, Inc.	1982	2,674,468		Engineer
McGrath & Co., PLLC	2019	30,000		Auditor
RBC Capital Markets	2003			Financial Advisor

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

See accompanying auditors' report.