HTSContinuingDisclosureServices
A Division of Hilltop Securities.
(See "CONTINUING DISCLOSURE OF INFORMATION" herein)

OFFICIAL STATEMENT

Dated June 16, 2026

Ratings:
Fitch: "AAA"
S&P: "AAA"
(See "OTHER INFORMATION - RATINGS" herein)-

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, under current law and subject to conditions described in the Section herein "Tax Exemption", interest on the Obligations (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum tax, and (c) is taken into account by applicable corporations (as defined in Section 59(k) of the Code) for the alternative minimum tax imposed on such corporations. A holder may be subject to other federal tax consequences as described in the Section herein "Tax Exemption."

CITY OF SUGAR LAND, TEXAS
(Fort Bend County)

$70,440,000	**$16,040,000**
GENERAL OBLIGATION BONDS, SERIES 2026	**COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026**

Dated Date: July 1, 2026 **Due: February 15 as shown on inside cover**
Interest Accrues from: July 15, 2026 (Delivery Date)

PAYMENT TERMS . . . Interest on the $70,440,000 City of Sugar Land, Texas, General Obligation Bonds, Series 2026 (the "Bonds"), and the $16,040,000 City of Sugar Land, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2026 (the "Certificates") (together the "Obligations") will accrue from July 15, 2026 (the "Delivery Date") and will be payable February 15 and August 15 of each year commencing February 15, 2027 and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Obligations will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Obligations may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Obligations will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations. See "THE OBLIGATIONS – BOOK-ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Pittsburgh, Pennsylvania (see "THE OBLIGATIONS – PAYING AGENT/REGISTRAR").

AUTHORITY FOR ISSUANCE OF THE BONDS . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, (the "State") including particularly Chapter 1331, Texas Government Code, and elections held on November 5, 2019 and November 5, 2024 (the "Elections ") and are direct obligations of the City of Sugar Land, Texas (the "City"), payable from a continuing ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, as provided in the ordinance authorizing the Bonds (the "Parameter Bond Ordinance"). In the Parameter Bond Ordinance, the City Council delegated pricing of the Bonds and certain other matters to a pricing officer who approved a pricing certificate (the "Bond Pricing Certificate" containing final pricing information for the Parameter Bond Ordinance (the Parameter Bond Ordinance and the Bond Pricing Certificate are jointly referred to herein as the "Bond Ordinance") (see "THE OBLIGATIONS – AUTHORITY FOR ISSUANCE OF THE BONDS").

AUTHORITY FOR ISSUANCE OF THE CERTIFICATES . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), and constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge of a subordinate lien on certain revenues of the waterworks and sanitary sewer system of the City, in an amount not to exceed $10,000, as provided in the ordinance authorizing the Certificates (the "Parameter Certificate Ordinance"). In the Parameter Certificate Ordinance, the City Council delegated pricing of the Certificates and certain other matters to a pricing officer who approved a pricing certificate (the "CO Pricing Certificate") containing final pricing information for the Parameter Certificate Ordinance (the Parameter Certificate Ordinance and the CO Pricing Certificate are jointly referred to herein as the "Certificate Ordinance" and the "Bond Ordinance" and the "Certificate Ordinance" are collectively the "Ordinances") (see "THE OBLIGATIONS – AUTHORITY FOR ISSUANCE").

PURPOSE FOR THE BONDS . . . Proceeds from the sale of the Bonds will be used for (i) animal shelter and control facilities; (ii) public safety facilities, including the renovation of the existing police department and municipal court building, the expansion of the public safety training facility, and the expansion, renovation, and replacement of the city's fire stations and fire apparatuses; (iii) streets, sidewalks, trails and mobility system, including streetscape, drainage, traffic equipment, signalization and street lighting; (iv) drainage improvements; (v) municipal facilities, including construction of a new field maintenance facility and the rehabilitation and modernization of municipal buildings; (vi) municipal facilities, including animal shelter and control facilities; and, (vii) the costs of issuance associated with the sale of the Bonds. (See "THE OBLIGATIONS – PURPOSE")

PURPOSE FOR THE CERTIFICATES . . . Proceeds from the sale of the Certificates will be used for the (i) improvements to the City Airport, including rehabilitation of runways and the construction of a new fuel farm and additional parking, (ii) the construction or acquisition of and/or improvements to the City's utility system, (iii) the construction or acquisition of and/or improvements to the City's streets and sidewalks, and (iv) the cost of professional services incurred in connection therewith. (See "THE OBLIGATIONS – PURPOSE")

See Maturity Schedule on Pages 2 and 3

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Obligations having stated maturities on and after February 15, 2035, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS – OPTIONAL REDEMPTION").

LEGALITY . . . The Obligations are offered for delivery when, as and if issued and received by the Underwriters listed herein (the "Underwriters") and subject to the approving opinions of the Attorney General of Texas and the opinions of Hunton Andrews Kurth LLP, Houston, Texas, Bond Counsel (see APPENDIX C, "FORMS OF BOND COUNSEL'S OPINIONS"). Certain legal matters will be passed upon for the Underwriters by their counsel Holland and Knight LLP, Houston, Texas.

DELIVERY . . . It is expected that the Obligations will be available for delivery through DTC on July 15, 2026.

BOK Financial Securities, Inc.

Raymond James **RBC Capital Markets**

MATURITY SCHEDULES

THE BONDS

Principal Amount	Maturity Feb 15	Interest Rate	Initial Yield [2]	CUSIP Numbers [3]	Principal Amount	Maturity Feb 15	Interest Rate	Initial Yield [2]	CUSIP Numbers [3]
$3,525,000	2027	5.000%	2.470%	864856VD8	$ 3,520,000	2037 [1][4]	5.000%	3.310%	864856VP1
3,525,000	2028	5.000%	2.540%	864856VE6	3,520,000	2038 [1][4]	5.000%	3.410%	864856VQ9
3,525,000	2029	5.000%	2.650%	864856VF3	3,520,000	2039 [1][4]	5.000%	3.490%	864856VR7
3,525,000	2030	5.000%	2.740%	864856VG1	3,520,000	2040 [1][4]	5.000%	3.590%	864856VS5
3,525,000	2031	5.000%	2.830%	864856VH9	3,520,000	2041 [1][4]	4.000%	3.870%	864856VT3
3,525,000	2032	5.000%	2.890%	864856VJ5	3,520,000	2042 [1][4]	4.000%	3.950%	864856VU0
3,525,000	2033	5.000%	2.990%	864856VK2	3,520,000	2043 [1]	4.000%	4.020%	864856VV8
3,525,000	2034	5.000%	3.020%	864856VL0	3,520,000	2044 [1]	4.000%	4.090%	864856VW6
3,520,000	2035 [1][4]	5.000%	3.120%	864856VM8	3,520,000	2045 [1]	4.125%	4.190%	864856VX4
3,520,000	2036 [1][4]	5.000%	3.200%	864856VN6	3,520,000	2046 [1]	4.250%	4.300%	864856VY2

(Interest will Accrue from Delivery Date)

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(1) The Bonds maturing on and after February 15, 2035, are subject to redemption, at the option of the City, on February 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. See "THE OBLIGATIONS – OPTIONAL REDEMPTION."
(2) The initial reoffering prices or yields on the Bonds are furnished by the Underwriters and represent the initial offering prices or yields to the public, which may be changed by the Underwriters at any time.
(3) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc., on behalf of the American Bankers Association and are included solely for the convenience of the beneficial owners of the Bonds. Neither the City nor the Underwriters of the Bonds is responsible for the selection or correctness of the CUSIP numbers set forth herein.
(4) Yield shown to first optional redemption date of February 15, 2034.

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THE CERTIFICATES

Principal Amount	Maturity Feb 15	Interest Rate	Initial Yield (2)	CUSIP Numbers (3)	Principal Amount	Maturity Feb 15	Interest Rate	Initial Yield (2)	CUSIP Numbers (3)
$ 415,000	2027	5.000%	2.490%	864856VZ9	$ 790,000	2037 (1)(4)	5.000%	3.340%	864856WK1
505,000	2028	5.000%	2.550%	864856WA3	835,000	2038 (1)(4)	5.000%	3.420%	864856WL9
530,000	2029	5.000%	2.660%	864856WB1	875,000	2039 (1)(4)	5.000%	3.500%	864856WM7
560,000	2030	5.000%	2.740%	864856WC9	920,000	2040 (1)(4)	5.000%	3.600%	864856WN5
585,000	2031	5.000%	2.830%	864856WD7	970,000	2041 (1)(4)	5.000%	3.680%	864856WP0
615,000	2032	5.000%	2.900%	864856WE5	1,020,000	2042 (1)(4)	5.000%	3.750%	864856WQ8
650,000	2033	5.000%	2.990%	864856WF2	1,070,000	2043 (1)(4)	5.000%	3.820%	864856WR6
680,000	2034	5.000%	3.040%	864856WG0	1,125,000	2044 (1)(4)	5.000%	3.920%	864856WS4
715,000	2035 (1)(4)	5.000%	3.140%	864856WH8	1,180,000	2045 (1)(4)	5.000%	4.030%	864856WT2
755,000	2036 (1)(4)	5.000%	3.230%	864856WJ4	1,245,000	2046 (1)(4)	5.000%	4.160%	864856WU9

(Interest will Accrue from Delivery Date)

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(1) The Certificates maturing on and after February 15, 2035, are subject to redemption, at the option of the City, on February 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. See "THE OBLIGATIONS – OPTIONAL REDEMPTION."

(2) The initial reoffering prices or yields on the Certificates are furnished by the Underwriters and represent the initial offering prices or yields to the public, which may be changed by the Underwriters at any time.

(3) CUSIP numbers have been assigned to the Certificates by CUSIP Global Services, managed by FactSet Research Systems Inc., on behalf of the American Bankers Association and are included solely for the convenience of the beneficial owners of the Certificates. Neither the City nor the Underwriters of the Obligations is responsible for the selection or correctness of the CUSIP numbers set forth herein.

(4) Yield shown to first optional redemption date of February 15, 2034.

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CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Occupation	Position
Carol McCutcheon	Retired (Engineer)	Mayor
Jim Vonderhaar	Retired	Councilmember At Large Position 1
Robert Boettcher	Engineer	Councilmember At Large Position 2
Suzanne Whatley	Small Business Owner	Councilmember Single Member District 1
Sanjay Singhal	Retired	Councilmember Single Member District 2
Stewart Jacobson	Financial Planning	Councilmember Single Member District 3
Rick Miller	Business Consulting	Councilmember Single Member District 4

APPOINTED OFFICIALS

Name	Position	Year Employed
Michael W. Goodrum	City Manager	2020
Linda Mendenhall	City Clerk	2024
Meredith Riede	City Attorney	2013
Brian Butscher	Assistant City Manager - Chief Operating Officer	2015
Elizabeth Rosenbaum	Assistant City Manager - Chief Internal Services Officer	2006
Michelle McCrimmon	Assistant City Manager - Chief Financial Officer	2025
Mark Poland	Assistant City Manager - Chief Public Safety Officer	2022

CONSULTANTS AND ADVISORS

Certified Public Accountants .... Weaver and Tidwell, LLP
The Woodlands, Texas

Bond Counsel .... Hunton Andrews Kurth LLP
Houston, Texas

Financial Advisor........ Hilltop Securities, Inc.
Houston, Texas

This Official Statement, which includes the cover page, inside cover page and the Appendices attached hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

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

The information and expressions of opinion contained herein 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 City or other matters described.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Neither the City, Bond Counsel, the Underwriters nor the Financial Advisor make any representation or warranty with respect to the information contained in this Official Statement regarding the Depository Trust Company ("DTC") or its book-entry-only system as described under "Book-Entry-Only System" as such information has been provided by DTC.

The information and expressions of opinion contained herein 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 City or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

THE OBLIGATIONS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACT. THE REGISTRATION OR QUALIFICATION OF THE OBLIGATIONS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAW OF THE STATES IN WHICH THE OBLIGATIONS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF.

This Official Statement contains "Forward-Looking" statements within the meaning of Section 21E of the Securities and Exchange Act of 1934. Such statements may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements to be different from the future results, performance and achievements expressed or implied by such forward-looking statements. Investors are cautioned that the actual results could differ materially from those set forth in the forward-looking statements.

The prices and other terms respecting the offering and sale of the Obligations may be changed from time to time by the Underwriters after such Obligations are released for sale, and the Obligations may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Obligations into investment accounts.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS'S MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE OBLIGATIONS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

References to website addressees presented herein are for informational purposes only and may be in the form of hyperlinks solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained herein are not incorporated into and are not part of this official statement for any purpose.

TABLE OF CONTENTS

The cover page hereof, this page, the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

OFFICIAL STATEMENT SUMMARY

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

THE CITY .... The City of Sugar Land (the "City") is a political subdivision and municipal corporation of the State of Texas (the "State"), located in Fort Bend County, Texas. The City covers approximately 42.85 square miles (see "INTRODUCTION – DESCRIPTION OF THE CITY").

THE BONDS .... The Bonds are issued as $70,440,000 General Obligation Bonds, Series 2026. The Bonds are issued as serial bonds maturing 2027 through 2046 (see "THE OBLIGATIONS – DESCRIPTION OF THE OBLIGATIONS").

THE CERTIFICATES .... The Certificates are issued as $16,040,000 Combination Tax and Revenue Certificates of Obligation, Series 2026. The Certificates are issued as serial certificates maturing 2027 through 2046 (see "THE OBLIGATIONS - DESCRIPTION OF THE CERTIFICATES").

PAYMENT OF INTEREST .... Interest on the Obligations accrues from the Delivery Date expected July 15, 2026 and is payable February 15, 2027, and each August 15 and February 15 thereafter until maturity or prior redemption (see "THE OBLIGATIONS – DESCRIPTION OF THE OBLIGATIONS" and "THE OBLIGATIONS – OPTIONAL REDEMPTION").

AUTHORITY FOR ISSUANCE OF THE BONDS .... The Bonds are issued pursuant to the Constitution and general laws of the State including particularly Chapter 1331, Texas Government Code, elections held on November 5, 2019 and November 5, 2024 and the ordinance authorizing their issuances (the "Parameter Bond Ordinance"). In the Parameter Bond Ordinance, the City Council delegated pricing of the Bonds and certain other matters to a pricing officer who approved a pricing certificate (the "Bond Pricing Certificate") containing final pricing information for the Parameter Bond Ordinance (the Parameter Bond Ordinance and the Bond Pricing Certificate are jointly referred to herein as the "Bond Ordinance") (see "THE OBLIGATIONS – AUTHORITY FOR ISSUANCE OF THE BONDS").

AUTHORITY FOR ISSUANCE OF THE CERTIFICATES .... The Certificates are issued pursuant to the Constitution and general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code, and an ordinance authorizing their issuance (the "Parameter Certificate Ordinance"). In the Parameter Certificate Ordinance, the City Council delegated pricing of the Certificates and certain other matters to a pricing officer who approved a pricing certificate (the "CO Pricing Certificate") containing final pricing information for the Parameter Certificate Ordinance (the Parameter Certificate Ordinance and the CO Pricing Certificate are jointly referred to herein as the "Certificate Ordinance" and the "Bond Ordinance" and the "Certificate Ordinance" are collectively the "Ordinances") (see "THE OBLIGATIONS – AUTHORITY FOR ISSUANCE OF THE CERTIFICATES").

SECURITY FOR THE BONDS .... The Bonds constitute direct obligations of the City, payable from the levy and collection of a continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the City as provided in the Bond Ordinance (see "THE OBLIGATIONS – SECURITY AND SOURCE OF PAYMENT").

SECURITY FOR THE CERTIFICATES .... The Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge of a subordinate lien on certain revenues of the waterworks and sanitary sewer system of the City, in an amount not to exceed $10,000, as provided in the Certificate Ordinance (see "THE OBLIGATIONS – SECURITY AND SOURCE OF PAYMENT").

REDEMPTION .... The City reserves the right, at its option, to redeem Obligations having stated maturities on and after February 15, 2035, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS – OPTIONAL REDEMPTION").

TAX EXEMPTION .... In the opinion of Bond Counsel, under current law and subject to conditions described in the Section herein "TAX EXEMPTION," interest on the Obligations (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum tax, and (c) is taken into account in determining adjusted financial statement income for applicable corporations (as defined in Section 59(k) of the Code) for the alternative minimum tax imposed on such corporations. A holder may be subject to other federal tax consequences as described in the Section herein "TAX EXEMPTION."

USE OF PROCEEDS FOR THE BONDS .... Proceeds from the sale of the Bonds will be used for (i) the construction or acquisition of and/or improvements to the City's public safety facilities, including construction of phase three of the City's Public Safety Training Facility and rehabilitation of the Public Service/Public Safety Center, (ii) street and drainage improvements, (iii) sidewalk improvements, (iv) signal and traffic flow improvements, (v) fire apparatus, (vi) new animal shelter construction and (vii) the costs of issuance associated with the sale of the Bonds. (see "THE OBLIGATIONS – PURPOSE").

USE OF PROCEEDS FOR THE CERTIFICATES .... Proceeds from the sale of the Certificates will be used for the (i) improvements to the City Airport, including rehabilitation of runways and the construction of a new fuel farm and additional parking, (ii) the construction or acquisition of and/or improvements to the City's utility system, (iii) the construction or acquisition of and/or improvements to the City's streets and sidewalks, and (iv) the cost of professional services incurred in connection therewith. (see "THE OBLIGATIONS – PURPOSE").

RATINGS .... The Obligations and presently outstanding tax backed debt of the City are rated "AAA" by S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("S&P") and "AAA" by Fitch Ratings ("Fitch"), without regard to credit enhancement (see "OTHER INFORMATION – RATINGS").

BOOK-ENTRY-ONLY SYSTEM..... The definitive Obligations will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Obligations may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Obligations will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations (see "THE OBLIGATIONS - BOOK-ENTRY-ONLY SYSTEM").

PAYMENT RECORD .... The City has never defaulted in payment of its debt.

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FINANCIAL HIGHLIGHTS

Financial Highlights			
Tax Year 2025 Assessed Valuation (net of exemptions and abatements) [1]		$	22,013,343,227
Indebtedness Payable from Ad Valorem Taxes			
City Bond Debt Payable from Ad Valorem Taxes (as of 6/1/2026):			
General Obligation Debt Outstanding	$ 358,965,000		
General Obligation Bonds, Series 2026	70,440,000		
Combination Tax and Revenue Certificiates of Obligation, Series 2026	16,040,000		
Total		$	445,445,000
Less: Debt Paid from Utility Revenue[2]			68,062,993
Less: Debt Paid from Airport Revenue[2] [3]			25,360,000
Less: Debt Paid from Hotel Occupancy Taxes[2]			345,000
Less: Debt Paid from Smart Financial Center Revenue[2]			22,605,000
Less: Debt Paid Ffom 4B Corporation[2]			24,195,000
Less: Debt Paid from Sugar Land Development Corporation[2]			31,300,000
Less: Debt Paid From Park at Eldridge PID[2][3]			1,680,000
Less: Interest and Sinking Fund (As of September 30, 2025)			16,955,353
Net Bond Debt Payable from Ad Valorem Taxes		**$**	**256,621,654**
Estimated Overlapping Debt Outstanding (as of 6/1/2026)		$	1,307,826,834
Net Direct and Estimated Overlapping Debt		$	1,564,448,488

Tax Supported Debt Ratios:	% of 2026 Assessed Value		Per Capita
Net Direct Debt	1.17%	$	2,311
Net Direct and Estimated Overlapping Debt	7.11%	$	14,091

Tax Supported Debt Service Requirements:		
2026 Net Principal and Interest Requirements	$	30,325,418
Average Annual Net Principal and Interest Requirements, 2026-2054		13,841,089
Maximum Net Principal and Interest Requirements, 2027		30,325,418
Total Collections (Arithmetic Averages, Fiscal Years 2021-2025):		
Current Collections		98.24% [4]
Total Collections		97.97% [4][5]

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(1) Source: Fort Bend Central Appraisal District. Values are subject to change throughout the year. Includes $203,727,631 in uncertified values still under review. The City budgets for 91% collections on the value still under review at the time of certification.

(2) General obligation debt in the amounts shown for which repayment is provided from revenues of the respective revenue systems. The amount of self-supporting debt is based on the percentages of revenue support as shown in Computation of Self-Supporting Debt Table. It is the City's current policy to provide these payments from respective system revenues; this policy is subject to change in the future. In the event the City changes its policy, or such revenues are not sufficient to pay debt service on such obligations, the City will be required to levy an ad valorem tax to pay such debt service.

(3) Includes the Certificates.

(4) Collections as of May 31, 2026.

(5) Total Collections reflect a refund of approximately $234,080 of 2024 and $16,122 of 2023 taxes.

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OFFICIAL STATEMENT

RELATING TO

$70,440,000	**$16,040,000**
GENERAL OBLIGATION BONDS,	**COMBINATION TAX AND REVENUE**
SERIES 2026	**CERTIFICATES OF OBLIGATION, SERIES 2026**

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of $70,440,000 City of Sugar Land, Texas, General Obligation Bonds, Series 2026 (the "Bonds"), and the $16,040,000 City of Sugar Land, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2026 (the "Certificates") (collectively the "Obligations"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinances of the City Council of the City of Sugar Land, Texas (the "City"), authorizing the issuance of the Bonds and the Certificates (the "Ordinances") to be adopted by the City, except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Obligations and certain information regarding the City and its finances. 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 City's Financial Advisor, Hilltop Securities Inc., Houston, Texas.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Final Official Statement pertaining to the Bonds will be filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Markets Access (EMMA) system. See "CONTINUING DISCLOSURE OF INFORMATION" herein for a description of the City's undertaking to provide certain information on a continuing basis. Capitalized terms used, but not defined herein, will have the meanings ascribed thereto in the Ordinance.

DESCRIPTION OF THE CITY

The City is a municipal corporation, duly organized and existing under the laws of the State of Texas (the "State"), including the City's Home Rule Charter (the "Charter"). The City was incorporated in 1959 and adopted a home rule charter in November 1980. The City operates under a Council-Manager form of government. The City Council consists of a Mayor and six (6) council members who are elected to three (3) year terms. The Mayor and two Council members are elected at large, and the remaining four are elected by each district. The estimated 2026 population for the City is 111,026. The City encompasses approximately 42.85 square miles.

THE OBLIGATIONS

DESCRIPTION OF THE OBLIGATIONS

The Obligations are dated July 1, 2026, (interest accrues from Delivery Date) and mature, or are subject to redemption prior to maturity, on February 15 in each of the years and in the amounts shown on the inside cover page hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15, commencing February 15, 2027. The definitive Obligations will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Obligations will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations. See "THE OBLIGATIONS – BOOK-ENTRY-ONLY SYSTEM" herein.

PURPOSE

Proceeds from the sale of the Bonds will be used for (i) the construction or acquisition of and/or improvements to the City's public safety facilities, including construction of phase three of the City's Public Safety Training Facility and rehabilitation of the Public Service/Public Safety Center, (ii) street and drainage improvements, (iii) sidewalk improvements, (iv) signal and traffic flow improvements, (v) fire apparatus, (vi) new animal shelter construction and (vii) the costs of issuance associated with the sale of the Bonds.

Proceeds from the sale of the Certificates will be used for the (i) improvements to the City Airport, including rehabilitation of runways and the construction of a new fuel farm and additional parking, (ii) the construction or acquisition of and/or improvements to the City's utility system, (iii) the construction or acquisition of and/or improvements to the City's streets and sidewalks, and (iv) the cost of professional services incurred in connection therewith.

Authority for Issuance of the Bonds

The Bonds are being issued pursuant to the Constitution and general laws of the State including particularly Chapter 1331, Texas Government Code, elections held on November 5, 2019 and November 5, 2024, and the Bond Ordinance.

Authority for Issuance of the Certificates

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), and the Certificate Ordinance.

Security and Source of Payment

The Bonds constitute direct obligations of the City payable from the proceeds of a continuing ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, as provided in the Bond Ordinance.

The Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge of a subordinate lien on the net revenues of the waterworks and sanitary sewer system of the City, in an amount not to exceed $10,000, as provided in the Certificate Ordinance.

Tax Rate Limitation

Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 Taxable Assessed Valuation for all City purposes. The City is a Home Rule City with a maximum authorized tax rate for all purposes of $2.50 per $100 Assessed Valuation. Within this $2.50 maximum there is no limit on the amount of taxes which can be levied for debt service on outstanding bonds. The maximum tax rate is imposed both by the Constitution of the State of Texas and the City Charter. Under the rules of the Texas Attorney General, the City may issue general obligation debt in an amount no greater than that which can be serviced by a debt service tax of $1.50 per $100 assessed valuation, based on 90% collection, as calculated at the time of issuance.

Optional Redemption

The City reserves the right, at its option, to redeem the Obligations having stated maturities on and after February 15, 2035, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Obligations are to be redeemed, the City may select the Obligations, or portions thereof, within such maturity to be redeemed. If an Obligation (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Obligation (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

Notice of Redemption

Not less than thirty (30) days prior to a redemption date for the Obligations, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Obligations to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE OBLIGATIONS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY OBLIGATION OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH OBLIGATION OR PORTION THEREOF SHALL CEASE TO ACCRUE.

Defeasance

The City may defease the Bonds when the payment of the principal of and premium, if any, on such Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with the Registrar, or other authorized escrow agent, in trust (1) money sufficient to make such payment or (2) Government Securities to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment. Authorized City officials are permitted to limit the foregoing Government Securities in connection with the sale of the Bonds. The City has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for the Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance. There is no assurance that the ratings for U.S. Treasury securities used as Government Securities or that for any other Government Security will be maintained at any particular rating category.

As used in this section, the term "Government Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm no less than the rating that agency assigns to direct obligations of the United States of America, 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 of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm no less than the rating that agency assigns to direct obligations of the United States of America.

The City reserves the right to defease the Certificates in any manner now or hereafter permitted by law.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Obligations is to be transferred and how the principal of, premium, if any, and interest on the Obligations are to be paid to and accredited by DTC while the Obligations 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 City and the Underwriters consider the source of such information to be reliable but takes no responsibility for the accuracy or completeness thereof.

The City and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Obligations, 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 Obligations), 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.

DTC, New York, New York, will act as securities depository for the Obligations. The Obligations 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 security certificate for each stated maturity will be issued for the Obligations in the aggregate principal amount thereof 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"). Direct Participants and Indirect Participants are referred to collectively as the "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 Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Obligation ("Beneficial Owner") is in turn to be recorded on the Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interest in the Obligations are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations 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 Obligations 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 Obligations; DTC's records reflect only the identity of the Direct Participant to whose account such Obligations are credited, which may or may not be a Beneficial Owner. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Neither DTC nor Cede & Co. will consent or vote with respect to the Obligations unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City 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 the Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar on payable dates 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 in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to DTC is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Participants.

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

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

USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS OFFICIAL STATEMENT

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

EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM

In the event the Book-Entry-Only System with respect to the Obligations is discontinued by DTC, or the use of the Book-Entry-Only System with respect to the Obligations is discontinued by the City, printed securities certificates will be issued to the holders of the affected Obligations, and the applicable Obligations will be subject to transfer, exchange, and registration provisions as set forth in the Ordinances, summarized under "THE OBLIGATIONS - TRANSFER, EXCHANGE, AND REGISTRATION" below.

PAYING AGENT/REGISTRAR

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

Principal of the Obligations will be payable to the registered owner at maturity or prior redemption upon presentation at the designated payment office of the Paying Agent/Registrar. Interest on the Obligations will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar on the Record Date (see "THE OBLIGATIONS – RECORD DATE FOR INTEREST PAYMENT" herein), or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Obligations shall be a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding business day which is not such a Saturday, Sunday, or legal holiday, or day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

TRANSFER, EXCHANGE AND REGISTRATION

In the event the Book-Entry-Only System should be discontinued, the Obligations may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Obligations may be assigned by the execution of an assignment form on the respective Obligations or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Obligations will be delivered by the Paying Agent/Registrar, in lieu of the Obligations being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Obligations issued in an exchange or transfer of Obligations will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Obligations to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Obligations registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Obligations surrendered for exchange or transfer. See "THE OBLIGATIONS – BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Obligations.

RECORD DATE FOR INTEREST PAYMENT

The record date ("Record Date") for the interest payable on the Obligations on any interest payment date means the close of business on the last business day of the preceding month. In the event of a non-payment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be fifteen (15) days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of a Obligation appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing of such notice.

BONDHOLDERS' REMEDIES

The Ordinances do not establish specific events of default with respect to the Obligations or provide for the appointment of a trustee to represent the interests of the owners upon any failure of the City to perform in accordance with the terms of the Ordinances, or upon any other condition. If the City defaults in any payment due on the Obligations, or if the City defaults in the observance or performance of any of the covenants, conditions, or obligations set forth in the Ordinances, any registered owner is entitled to seek a writ of mandamus or mandatory injunction from a court of proper jurisdiction to compel the City to levy, assess and collect an annual ad valorem tax sufficient (within the limits described herein) to pay principal of and interest on the Obligations as they become due or to perform other material covenants, conditions or obligations contained in the Ordinances. In general, Texas courts have held that a writ of mandamus may be issued to require a public official to perform legally imposed ministerial duties necessary for the performance of a valid contract; and Texas law provides that, following their approval by the Attorney General and issuance, the Obligations are valid and binding obligations for all purposes according to their terms. However, the enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. Such rights are in addition to any other rights the registered owners of the Obligations may be provided by the laws of the State with respect to the Obligations. Under Texas law there is no right to the acceleration of maturity of the Obligations upon the failure of the City to observe any covenant under the Ordinances. A registered owner of Obligations could file suit against the City if a default occurred in the payment of principal of or interest on any such Obligations; however, a suit for monetary damages could be vulnerable to the defense of sovereign immunity and any judgment could not be satisfied by execution against any property of the City.

On June 30, 2006, the Texas Supreme Court ruled in Tooke v. City of Mexia, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. In so ruling, the Court declared that statutory language such as "sue and be sued," in and of itself, did not constitute a clear and unambiguous waiver of sovereign immunity. Because it is not clear that the Texas Legislature has effectively waived the City's immunity from suit for money damages, holders of the Obligations may not be able to bring such a suit against the City for breach of the Obligations or the Ordinance. In Tooke, the Court noted the enactment in 2005 of sections 271.151-.160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities in certain circumstances." The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods or services to cities.

On April 1, 2016, the Texas Supreme Court ruled in Wasson Interests, Ltd. v. City of Jacksonville, 489 S.W. 3d 427 (Tex. 2016) that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. In its decision, the Court held that since the Local Government Immunity Waiver Act waives governmental immunity in certain breach of contract claims without addressing whether the waiver applies to a governmental function or a proprietary function of a city, the Court could not reasonably read the Local Government Immunity Waiver Act to evidence legislative intent to waive immunity when a city performs a proprietary function.

The City is also eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or owners of an entity that has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of another federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions of Bond Counsel will note that all opinions relative to the enforceability of the Ordinances and the Obligations are qualified with respect to the customary rights of debtors relative to their creditors.

USE OF PROCEEDS

Proceeds from the sale of the Obligations are expected to be expended as follows:

	The Bonds	The Certificates
Sources of Funds		
Par Amount	$ 70,440,000.00	$ 16,040,000.00
Net Premium	4,510,668.50	1,380,992.05
Total Sources	$ 74,950,668.50	$ 17,420,992.05
Uses of Funds		
Deposit to Construction Fund	$ 74,375,000.00	$ 17,242,312.00
Underwriter's Discount	342,590.46	82,618.66
Costs of Issuance (1)	233,078.04	96,061.39
Total Uses of Funds	$ 74,950,668.50	$ 17,420,992.05

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(1) Includes legal fees of the City, financial advisory fees, rating agency fees, fees of the Paying Agent/Registrar, contingency, rounding amounts and other costs of issuance.

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TAX INFORMATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors are encouraged to review Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

VALUATION OF TAXABLE PROPERTY

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Fort Bend Central Appraisal District (the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates (see "TAX INFORMATION – DISTRICT AND TAXPAYER REMEDIES").

STATE MANDATED HOMESTEAD EXEMPTIONS

State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty. See "VALUATION AND DEBT INFORMATION" Table for the reduction in taxable valuation attributable to the state-mandated homestead exemptions.

LOCAL OPTION HOMESTEAD EXEMPTIONS

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the market value of all homesteads (but not less than $5,000) and (2) an additional exemption of at least $3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit. See "VALUATION AND DEBT INFORMATION" Table for the reduction in taxable valuation attributable to local option homestead exemptions.

LOCAL OPTION FREEZE FOR THE ELDERLY AND DISABLED

The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded. See "VALUATION AND DEBT INFORMATION" Table for the reduction in taxable valuation attributable to the freeze on taxes for the elderly and disabled.

Personal Property

Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property. Effective January 1, 2026, a person is entitled to an exemption from taxation by a taxing unit of $125,000 of the appraised value of the tangible personal property the person owns that is held or used for the production of income and has taxable sites at the same location in the taxing unit. A person who leases tangible personal property is also entitled to a tax exemption of $125,000, regardless of where the property is located in the taxing unit.

Freeport and Goods-In-Transit Exemptions

Certain goods that are acquired in or imported into the State to be forwarded outside the State and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal. Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer's motor vehicle, boat, or heavy equipment inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

Other Exempt Property

Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

Tax Increment Reinvestment Zones

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones ("TIRZ") within its boundaries. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "tax increment". During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units. See "AD VALOREM PROPERTY TAXATION – City Application of Property Tax Code" for descriptions of any TIRZ created in the City.

Tax Abatement Agreements

Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

Public Hearing and Maintenance and Operation Tax Rate Limitations

The following terms as used in this section have the meanings provided below:

"adjusted" means lost values are not included in the calculation of the prior year's taxes and new values are not included in the current year's taxable values.

"de minimis rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted), plus the rate that produces an additional $500,000 in tax revenue when applied to the current year's taxable value, plus the debt service tax rate.

"no-new-revenue tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).

"special taxing unit" means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per $100 of taxable value.

"unused increment rate" means the cumulative difference between a city's voter-approval tax rate and its actual tax rate for each of the tax years 2023 through 2025, which may be applied to a city's tax rate in tax years 2024 through 2026 without impacting the voter-approval tax rate.

"voter-approval tax rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the "unused increment rate".

The City's tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the "maintenance and operations tax rate"), and (2) a rate for funding debt service in the current year (the "debt service tax rate"). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

A city must annually calculate its "voter-approval tax rate" and "no-new-revenue tax rate" (as such terms are defined above) in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its "de minimis rate", an election must be held to determine whether or not to reduce the adopted tax rate to the voter approval tax rate.

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city's adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city's voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its "voter-approval tax rate" using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city's total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City's tax-supported debt obligations, including the Obligations.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

DEBT TAX RATE LIMITATIONS

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax-supported debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 of Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

CITY AND TAXPAYER REMEDIES

Under certain circumstances, the City and its taxpayers may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the City may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Owners of certain property with a taxable value of at least $50 million and situated in a county with a population of one million or more as of the most recent federal decennial census may additionally protest the determinations of appraisal district directly to a three-member special panel of the appraisal review board, selected by a State district judge, consisting of highly qualified professionals in the field of property tax appraisal.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases (See "– PUBLIC HEARING AND MAINTENANCE AND OPERATION TAX RATE LIMITATIONS".) 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 City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. Taxpayers 65 years old or older, disabled veterans or an unmarried surviving spouse of a disabled veteran, are permitted by State law to pay taxes on homesteads in four installments with the first installment due before February 1 of each year and the final installment due before August 1. 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 of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

CITY'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES

Taxes levied by the City are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all State and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the City, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes.

At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years 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.

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

CITY APPLICATION OF PROPERTY TAX CODE

The City contracts with Fort Bend County for billing and collection of property taxes. Tax bills are mailed by October 1 or as soon thereafter as practicable. Taxes are due upon receipt of a tax bill and become delinquent on February 1 of the following year. If tax bills are mailed after January 10, the delinquency date is postponed to the first day of the next month that will provide at least twenty-one (21) days to pay. Delinquent taxes incur a penalty of 6% and interest of 1% on February 1. Interest at a rate of 1% per month will continue until July 1 at which time the penalty becomes 12% and interest of 6%, for a total of 18%. Interest on delinquent taxes continues to accrue at the rate of 1% per month until the tax is paid. If the tax is not paid by July 1, an additional penalty of up to 20% may be imposed by the City.

The City contracts with the legal firm Linebarger, Goggan, Blair & Sampson, L.L.P., for collection of delinquent property taxes through the tax collection contract with Fort Bend County. The taxpayer may be subject to seizure and sale of property to satisfy delinquent taxes. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

TAX ABATEMENT

The City may enter into tax abatement agreements. Additionally, Fort Bend County, Fort Bend Independent School District, or municipal utility districts located inside the City limits, at the option and discretion of each entity may enter into tax abatement agreements with owners of property. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the City, for a period of up to ten (10) years, all or any part of 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. The terms of all tax abatement agreements must be substantially the same. The City has six (6) agreements with various companies, representing thirteen (13) accounts. Five agreements include accounts for both improvements and personal property and one agreement includes accounts for improvements, personal property and inventory. See "TAX DATA-VALUATION AND DEBT INFORMATION" for a listing of value loss associated with these tax abatement agreements.

TAX INCREMENT REINVESTMENT ZONES

Article VIII, Section 1-g of the Texas Constitution and the Tax Increment Financing Act, Chapter 311, V.T.C.A. Tax Code (the "TIF Act") authorize municipalities in the State to establish one or more tax increment financing reinvestment zones for development or redevelopment of the territory within the zones.

The TIF Act provides that the municipality may appoint a board of directors for a TIRZ to develop a project plan and financing plan for the zone and may delegate to the board certain management duties relating to the zone. Project costs, including financing costs, within the zone may be paid from tax increments collected by each of the taxing units in the zone. The amount of a taxing unit's tax increment for a year is the amount of property taxes levied by the unit for that year on the captured appraised value of real property taxable by the unit (the "Captured Appraised Value") and located in the zone. The Captured Appraised Value is the total appraised value of the property for a year, less the tax increment base of the unit. The tax increment base of a taxing unit is the total appraised value of all real property taxable by the unit and located in the zone in the year in which the city created the zone. Participation by a taxing unit in a reinvestment zone is discretionary with such taxing unit, and it may decide to deposit all or none, or a portion, of its tax increments into the fund and retain for its own purposes the remainder. A taxing unit cannot reduce the amount of its participation once the financing plan has been implemented. The City has designated and created three reinvestment zones.

The City created Reinvestment Zone Number One, City of Sugar Land, Texas (Town Square) (the "Town Square TIRZ") in 1998. The Town Square TIRZ encompasses approximately 32 acres of land at the corner of US Highway 59 and State Highway 6. The Town Square TIRZ terminated December 31, 2025.

The City created Reinvestment Zone Number Three, City of Sugar Land, Texas (Imperial) (the "Imperial TIRZ") in 2007. The Board of Directors consists of five members. The City Council appoints four members and Fort Bend County appoints one member. The Imperial TIRZ expires December 31, 2042. For Tax Year 2025, the incremental value attributed to the Imperial TIRZ is $283,258,594. TIRZ 3 encompasses 746 acres east of state highway 6, north of US 90a, south of Voss Rd and west of Burney Rd. The area includes the former Imperial Sugar Company site, and is being developed as Imperial, a mixed-use development with high-end residential, commercial and entertainment venues, including constellation field, a city-owned minor league baseball stadium.

The City created Reinvestment Zone Number Four ("TIRZ Four") in December 2009, covering approximately 702 acres near US Highway 59 and University Blvd. The purpose of TIRZ Four is to finance public improvements and facilities necessary to support the development of a high-quality mixed use urban center with retail, office and entertainment uses including Smart Financial Centre at Sugar Land, and an indoor performance venue. Fort Bend County, the Fort Bend County Drainage District, and Fort Bend County Municipal Utility District Nos. 138 and 139 have agreed to participate at varying levels. The Board of Directors of TIRZ Four consists of nine members, with four members appointed by the City, and one member appointed by each of the remaining taxing entities. TIRZ Four expires December 31, 2039. The incremental value attributable to TIRZ Four for Tax Year 2025 is $193,755,790.

The City has agreed to deposit in the Tax Increment Fund 50% of its tax collections arising from the increase in appraised value of real property located in the Imperial TIRZ and TIRZ Four.

As described above, tax revenues of the City generated from assessed value attributable to any of the Town Square TIRZ, Imperial TIRZ or TIRZ Four are deposited into the Tax Increment Fund and are not available to make debt service payments on the Obligations.

PUBLIC IMPROVEMENT DISTRICT

On August 19, 2014, the City of Sugar Land approved Resolution No. 14-32 authorizing the creation of the Enclave at RiverPark Public Improvement District (the "PID"). The PID was created to finance improvements to the Enclave at RiverPark subdivision, an approximately 54-acre single family residential development located along US 59, adjacent to and accessed through the RiverPark subdivision. The City contributes 50% of property taxes collected within the district to the PID. Tax year 2025 taxable value in the PID is $77,212,361. The tax collections deposited with the PID are not available to make debt service payments.

In 2021 the City Council approved Resolution No. 21-04 creating the Park at Eldridge Public Improvement District (PID). The district was created to finance improvements to the Park at Eldridge subdivision, an approximately 21.4 acre single family residential development located at Eldridge Road and West Airport. The PID will reimburse developers for public infrastructure through a reimbursement agreement once development thresholds are met. The City contributes 50% of property taxes collected within the district to the PID. Tax year 2024 was the first year that the PID assessment was levied and taxes will be transferred by the City, as the final plat was recorded in late 2023. A portion of the Certificates will be used to pay for PID improvements and will be repaid from assessments levied upon the benefited properties within the District.

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TAX DATA

Valuation and Debt Information

2025/26 Market Valuation Established by Fort Bend Central Appraisal District [1]		$ 27,941,317,659
Less Exemptions/Reductions at 100% Market Value:		
Homestead CAP Adjustments	$ 246,328,611	
Total Exempt Property	2,230,314,339	
Productivity Loss	8,229,206	
Homestead	2,264,621,196	
Disabled Persons	20,125,000	
Disabled Veterans	104,020,452	
Pollution Control	4,984,321	
House Bill 366	795,033	
First Responder Surviving Spouse	226,284	
Abatements	80,175,950	
Solar	3,582,449	
Leased Vehicles	126,259,191	
Circuit Breaker Limit Cap Adjustment	56,058,702	
Over 65	782,253,698	5,927,974,432
2025/26 Taxable Assessed Valuation[1]		$ 22,013,343,227
City Bond Debt Payable from Ad Valorem Taxes (as of 6/1/2026):		
General Obligation Debt Outstanding	$ 358,965,000	
The General Obligation Bonds, Series 2026	70,440,000	
The Combination Tax and Revenue Certificates of Obligation, Series 2026	16,040,000	$ 445,445,000
Less: Utility Debt Paid from Utility Revenue[2]		$ 68,062,993
Less: Debt Paid from Hotel Occupancy Taxes[2]		345,000
Less: Debt Paid from Airport Revenue[2][3]		25,015,000
Less: Debt Paid from Smart Financial Centre Revenue[2]		22,605,000
Less: Debt Paid from 4B Corporation[2]		24,195,000
Less: Debt Paid from Sugar Land Development Corporation[2]		31,300,000
Less: Debt Paid From Park at Eldridge PID[2][3]		1,680,000
Less: Interest and Sinking Fund (as of September 30, 2025)		16,955,353
Net Bond Debt Payable from Ad Valorem Taxes		$ 256,966,654
Ratio of Net Bond Debt to 2025/26 Taxable Assessed Valuation		1.167%

Estimated 2026 Population - 111,026

Per Capita Taxable Assessed Valuation - $198,272

Per Capita Net General Obligation Funded Debt - $2,314

Area - 43 Square Miles

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(1) Source: Fort Bend Central Appraisal District. Values are subject to change throughout the year. Includes $203,727,631 in uncertified values still under review. The City budgets for 91% collections on the value still under review at the time of certification.

(2) General obligation debt in the amounts shown for which repayment is provided from revenues of the respective revenue systems. The amount of self-supporting debt is based on the percentages of revenue support as shown in Computation of Self-Supporting Debt Table. It is the City's current policy to provide these payments from respective system revenues; this policy is subject to change in the future. In the event the City changes its policy, or such revenues are not sufficient to pay debt service on such obligations, the City will be required to levy an ad valorem tax to pay such debt service.

(3) Includes the Certificates.

TAXABLE ASSESSED VALUATIONS BY CATEGORY

Fiscal Year Ended 9/30	Tax Year	Real Property	Personal Property	Less: Exemptions and Abatements	Total
2022	2021	$ 19,095,062,730	$ 1,621,397,130	$ 3,808,858,338	$ 16,907,601,522
2023	2022	22,359,841,043	1,773,384,507	5,186,659,594	18,946,565,956
2024	2023	24,684,182,094	1,944,291,046	6,160,285,228	20,468,187,912
2025	2024	26,087,626,393	2,046,490,208	6,520,452,211	21,613,664,390
2026	2025	25,970,252,015	1,971,065,644	5,927,974,432	22,013,343,227 (1)(2)

(1) Source: Fort Bend Central Appraisal District. Values are subject to change throughout the year. Includes $203,727,631 in uncertified values still under review. The City budgets for 91% collections on the value still under review at the time of certification.
(2) Tax Year 2025 represents a revaluation of property by the Fort Bend Central Appraisal District.

NOTE: Valuations shown are certified taxable assessed values reported by the Fort Bend Central Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

ESTIMATED OVERLAPPING BOND DEBT PAYABLE FROM AD VALOREM TAXES

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

	Total G.O. Debt as of 6/1/2026	Estimated % Applicable	City's Overlapping G.O. Debt as of 6/1/2026
City of Sugar Land	$ 256,966,654 (1)	100.00%	$ 256,966,654
Burney Road MUD	1,775,000	100.00%	1,775,000
First Colony MUD No. 10	6,850,000	100.00%	6,850,000
Fort Bend County	1,152,335,706	16.48%	189,904,924
Fort Bend County Drainage District	20,585,000	16.48%	3,392,408
Fort Bend County LID No. 2	80,160,000	100.00%	80,160,000
Fort Bend County LID No. 7	75,075,000	100.00%	75,075,000
Fort Bend County LID No. 10	8,395,000	100.00%	8,395,000
Fort Bend County LID No. 11	19,565,000	100.00%	19,565,000
Fort Bend County LID No. 14	1,758,000	100.00%	1,758,000
Fort Bend County LID No. 17	44,490,000	100.00%	44,490,000
Fort Bend County LID No. 116	10,325,000	0.68%	70,210
Fort Bend County MUD No. 136	4,500,000	100.00%	4,500,000
Fort Bend County MUD No. 137	8,815,000	100.00%	8,815,000
Fort Bend County MUD No. 138	18,140,000	100.00%	18,140,000
Fort Bend County MUD No. 139	6,450,000	100.00%	6,450,000
Fort Bend County WC&ID No. 2	200,410,000	0.08%	160,328
Fort Bend ISD	1,816,645,000	29.28%	531,913,656
Imperial Redevelopment District	51,865,000	100.00%	51,865,000
Lamar CISD	3,555,130,000	7.16%	254,547,308
Total Direct and Overlapping Funded Debt			$ 1,564,793,488

(1) Excludes self-supporting debt.

HISTORICAL TAX RATE AND COLLECTIONS

Fiscal Year Ended 9/30	Tax Rate (1)	Distribution General Fund	Distribution Interest and Sinking Fund	Tax Levy (2)	% Current Collections	% Total Collections
2022	$ 0.34650	$ 0.20885	$ 0.13765	$ 57,499,082	99.49%	99.81%
2023	0.34650	0.20006	0.14644	64,583,430	99.19%	99.73%
2024	0.35000	0.20396	0.14604	70,255,699	99.39%	99.66%
2025	0.35321	0.20717	0.14604	75,881,145	99.35%	98.17% (3)
2026	0.35883	0.20717	0.15166	78,308,817	98.24% (4)	97.97% (4)(5)

Source: The City of Sugar Land.
(1) Per $100 assessed valuation.
(2) Includes payments to be distributed to TIRZ.
(3) Total Collections reflecting a refund of approximately $757,851 of 2023 and $224,745 of 2022 taxes.
(4) Collections as of May 31, 2026.
(5) Total Collections reflecting a refund of approximately $234,080 of 2024 and $16,122 of 2023 taxes.

MUNICIPAL SALES TAX AND HOTEL OCCUPANCY TAX

Pursuant to the Municipal Sales and Use Tax Act, Chapter 321, Texas Tax Code, the City has adopted a 1% Local Sales and Use Tax and 1/2% sales and use tax for property tax reduction within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Obligations. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, which remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. A sales tax for economic development (1/4 of 1%) is collected for the benefit of each of the Sugar Land Development Corporation and the Sugar Land 4B Corporation (the "Corporations") and may be pledged to secure payment of sales tax revenue bonds issued by the Corporations. As of June 1, 2026, the Corporations have an aggregate of $45,155,000 in outstanding sales tax revenue bonds. Moreover, pursuant to Chapter 351, Texas Tax Code, the City, by ordinance, has levied a Hotel Occupancy Tax within its corporate limits. The Hotel Occupancy Tax is collected by the City on a quarterly basis. See "OTHER OBLIGATIONS – OBLIGATION TO STATE" "- REFUND OF SALES TAX."

All collections shown below are reported on a cash basis.

Fiscal Year Ended 9-30	General Fund	Economic Development (1)	Hotel Occupancy	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate
2021	$ 42,179,260	$ 14,059,753	$ 1,503,816	$ 57,742,829	105.21%	$ 0.354
2022	48,250,933	16,083,764	2,283,832	66,618,529	115.86%	0.401
2023	50,435,776	16,811,925	2,720,295	69,967,996	108.34%	0.375
2024	52,977,640	17,659,213	2,988,608	73,625,461	104.80%	0.367
2025	59,480,303	19,826,768	2,998,501	82,305,572	108.47%	0.383

Source: The City of Sugar Land.
(1) Represents sales tax collections for the Sugar Land Development Corporation and the Sugar Land 4B Corporation.

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TEN LARGEST PROPERTY TAXPAYERS

Name of Taxpayer	Nature of Property	Valuation	Valuation
LCFRE Sugar Land Town Square LLC	Mixed-Use Development	$ 174,978,703	0.80%
First Colony Mall LLC	Shopping Center	121,000,000	0.55%
Market Town Center Owner LLC	Shopping Center	106,827,050	0.49%
Centerpoint Energy Electric	Utility	87,038,960	0.40%
Tramontina USA Inc	Manufacturing	75,776,981	0.34%
Tusa HQ LLC	Real Estate	69,331,706	0.32%
DPEG First Colony	Shopping Center	67,000,003	0.30%
Telfair Lofts Cedros LLC etal	Apartments	65,050,721	0.30%
AmerisourceBergen Drug Corporation	Pharmacy/Medical	61,935,767	0.28%
API Realty LLC	Real Estate	60,378,118	0.27%
		$ 889,318,009	4.05%

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DEBT INFORMATION

GENERAL OBLIGATION DEBT REQUIREMENTS

No general obligation debt limitation is imposed on the City under current State law or the City's Home Rule Charter (see "THE OBLIGATIONS – TAX RATE LIMITATION").

Fiscal Year Ended 9/30	Outstanding Debt Service (1)		The Bonds (2)		The Certificates (2)		Total Outstanding Debt	Less: Self-Supporting Airport Debt Service(3)	Less: Self-Supporting Hotel/Motel Debt Service	Less: Self-Supporting Utility Debt Service	Less: Self-Supporting Smart Financial Debt Service	Less: Self-Supporting 4B Debt Service	Less: Self-Supporting SLDC Debt Service	Less: Self-Supporting PID Debt Service(3)	Net Adjustment Due to Bond Call (4)	Total Debt Service Requirements	% of Principal Retired
	Principal	Interest	Principal	Interest	Principal	Interest											
2026	$ 26,655,000	$ 14,772,380	$ -	$ -	$ -	$ -	$ 41,427,380	$ 1,326,119	$ 351,900	$ 5,612,044	$ 1,589,530	$ 2,636,582	$ 3,292,707	$ -	$ 3,706,920	$ 30,325,418	
2027	24,495,000	12,809,318	3,525,000	3,512,875	415,000	858,458	45,615,651	2,459,315	-	5,606,844	1,592,768	2,282,131	2,934,488	126,750	(146,160)	30,467,196	
2028	24,830,000	11,760,506	3,525,000	3,059,625	505,000	768,625	44,448,756	2,444,104	-	5,595,269	1,589,319	2,221,631	2,864,563	127,750	(146,160)	29,459,961	
2029	24,125,000	10,736,166	3,525,000	2,883,375	530,000	742,750	42,542,291	2,103,907	-	5,595,519	1,589,029	2,161,131	2,803,850	130,125	(146,160)	28,012,570	
2030	22,380,000	9,769,526	3,525,000	2,707,125	560,000	715,500	39,657,151	2,070,691	-	5,592,019	1,586,933	2,100,631	2,737,219	132,250	(1,382,535)	24,054,873	29.36%
2031	20,785,000	8,882,990	3,525,000	2,530,875	585,000	686,875	36,995,740	2,047,136	-	5,584,994	1,588,065	2,040,131	2,669,800	124,375	(1,334,655)	21,606,584	
2032	21,020,000	8,056,237	3,525,000	2,354,625	615,000	656,875	36,227,737	2,033,013	-	5,593,394	1,587,174	1,979,631	2,606,463	126,500	(1,285,200)	21,016,363	
2033	21,335,000	7,251,971	3,525,000	2,178,375	650,000	625,250	35,565,596	1,978,422	-	5,598,269	1,584,090	1,919,131	2,541,806	128,375		21,815,503	
2034	21,650,000	6,442,890	3,525,000	2,002,125	680,000	592,000	34,892,015	1,957,863	-	5,591,669	1,584,190	1,858,631	2,484,231	130,000		21,285,431	
2035	21,035,000	5,636,259	3,520,000	1,826,000	715,000	557,125	33,289,384	1,950,422	-	5,593,394	1,582,890	1,798,131	2,419,231	126,500		19,818,816	56.19%
2036	20,205,000	4,861,268	3,520,000	1,650,000	755,000	520,375	31,511,643	1,817,638	-	5,593,069	1,583,643	1,737,631	2,368,331	127,875		18,283,457	
2037	19,080,000	4,126,928	3,520,000	1,474,000	790,000	481,750	29,472,678	1,799,709	-	5,487,019	1,581,288	1,677,131	2,311,331	129,000		16,487,200	
2038	18,300,000	3,424,618	3,520,000	1,298,000	835,000	441,125	27,818,743	1,643,906	-	5,494,819	1,582,105	1,616,631	2,258,231	129,875		15,093,175	
2039	18,590,000	2,752,158	3,520,000	1,122,000	875,000	398,375	27,257,533	1,625,184	-	5,492,344	1,576,095	1,556,131	2,203,931	130,500		14,673,347	
2040	16,175,000	2,148,716	3,520,000	946,000	920,000	353,500	24,063,216	1,500,900	-	5,496,016	1,578,150	1,501,681	2,154,481	126,000		11,705,988	80.37%
2041	15,745,000	1,608,939	3,520,000	787,600	970,000	306,250	22,937,789	1,486,000	-	5,494,531	1,578,055	1,452,525	1,452,525	131,250		11,342,903	
2042	9,980,000	1,160,085	3,520,000	646,800	1,020,000	256,500	16,583,385	1,473,975	-		1,575,810	1,401,100	1,401,100	131,125		10,600,275	
2043	9,400,000	807,133	3,520,000	506,000	1,070,000	204,250	15,507,383	1,459,700	-	-	1,576,308	1,348,163	1,348,163	130,750		9,644,301	
2044	7,760,000	502,143	3,520,000	365,200	1,125,000	149,375	13,421,718	1,144,250	-	-	1,574,440	1,291,270	1,291,270	130,125		7,990,362	
2045	6,745,000	250,642	3,520,000	222,200	1,180,000	91,750	12,009,592	1,142,500	-	-	1,570,208	1,235,423	1,235,423	129,250		6,696,788	95.74%
2046	3,075,000	102,038	3,520,000	74,800	1,245,000	31,125	8,047,963	1,148,000	-	-	1,567,038	-	-	128,125		5,204,801	
2047	3,145,000	34,538		-	-	-	3,179,538	-	-	-	1,569,538	-	-	-		1,610,001	
2048	1,610,000	-	-	-	-	-	1,610,000	-	-	-	-	-	-	-		1,610,000	
2049	1,610,000	-	-	-	-	-	1,610,000	-	-	-	-	-	-	-		1,610,000	
2050	1,610,000	-	-	-	-	-	1,610,000	-	-	-	-	-	-	-		1,610,000	99.09%
2051	1,610,000	-	-	-	-	-	1,610,000	-	-	-	-	-	-	-		1,610,000	
2052	1,610,000	-	-	-	-	-	1,610,000	-	-	-	-	-	-	-		1,610,000	
2053	1,060,000	-	-	-	-	-	1,060,000	-	-	-	-	-	-	-		1,060,000	100.00%
	$ 385,620,000	$ 117,897,449	$ 70,440,000	$ 32,147,600	$ 16,040,000	$ 9,437,833	$ 631,582,882	$ 36,612,754	$ 351,900	$ 89,021,210	$ 34,786,662	$ 35,815,451	$ 45,379,144	$ 2,576,500	$ (733,950)	$ 386,305,312	

(1) Includes self-supporting debt.
(2) Interest is calculated at the rates shown on pages 2 and 3 herein.
(3) Includes the Certificates.
(4) Represents the call of debt with cash of the Combination Tax and Revenue Certificates of Obligation, Series 2013, maturities 2030, 2031 and 2032 on February 15, 2026.

INTEREST AND SINKING FUND BUDGET PROJECTION

Tax-Exempt Bond Debt Service		
Budgeted General Obligation Debt Service Requirements, Fiscal Year Ending 9/30/2026		$ 40,645,260
Budgeted Interest and Sinking Fund (as of 9/30/2025)	14,622,482	
Budgeted Interest and Sinking Fund Tax Levy	31,820,407	
Budgeted Investment Revenue	298,100	
Budgeted Miscellaneous	521,550	
Budgeted MUD Rebates	(3,251,160)	
Budgeted Transfers in	7,621,216	$ 51,632,595
Budgeted Estimated Balance, 9/30/2026		$ 10,987,335

Taxable Bond Debt Service		
General Obligation Debt Service Requirements, Fiscal Year Ending 9/30/2026		$ 1,590,355
Budgeted Taxable Interest and Sinking Fund (as of 9/30/25)	$ 2,814,035	
Budgeted Rent	2,003,384	
Budgeted Interest Income	120,000	$ 4,937,419
Budgeted Estimated Balance, 9/30/2026		$ 3,347,064

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COMPUTATION OF SELF-SUPPORTING DEBT

Waterworks and Sewer System Self-Supporting Debt	
Revenue Available for Debt Service from Waterworks and Sewer System, Fiscal Year Ended September 30, 2025	$ 44,059,462 (1)
Less: Revenue Bonds Requirements, 2026 Fiscal Year	22,479,081
Balance Available for Other Purposes	$ 21,580,381
Less: System General Obligation Bond Requirements, 2026 Fiscal Year	5,612,044
Balance	$ 15,968,337
Percentage of System General Obligation Bonds, Self-Supporting	100.00%
Hotel/Motel Tax Self-Supporting Debt	
Available for Debt Service from Hotel/Motel Taxes, Fiscal Year Ended September 30, 2025	$ 3,170,479 (1)
Less: Hotel/Motel Tax General Obligation Bond Requirements, 2026 Fiscal Year	351,900
Balance	2,818,579
Percentage of Hotel/Motel General Obligation Bonds, Self-Supporting	100.00%
Airport Self-Supporting Debt	
Available for Debt Service from Airport Revenue, Fiscal Year Ended September 30, 2025	$ 6,439,103 (1)
Airport General Obligation Bond Requirements, 2026 Fiscal Year	1,326,119
Balance	$ 5,112,984
Percentage of Airport General Obligation Bonds, Self-Supporting	100.00%
Smart Financial Centre Self-Supporting Debt	
Lease Payment for Smart Financial Centre, Fiscal Year Ended September 30, 2025	$ 2,003,384 (1)
Less: Smart Financial Centre General Obligation Bond Requirements, 2026 Fiscal Year	1,589,530
Balance	$ 413,854
Percentage of Smart Financial Centre General Obligation Bonds, Self-Supporting	100.00%
4B Corporation Self-Supporting Debt	
Available from Debt Service from 4B Corporation, Fiscal Year Ended September 30, 2025	$ 9,913,384 (1)
Less: Sales Tax Revenue Bonds Requirement for Fiscal Year 2026.	1,737,550
Balance	$ 8,175,834
Less: General Obligation Bond Requirements 2026 Fiscal Year	2,636,582
Balance	$ 5,539,252
Percentage of 4B Corporation Bonds, Self-Supporting	100.00%
Sugar Land Development Corporation Self-Supporting Debt	
Available for Debt Service from Sugar Land Development Corporation, Fiscal Year Ended September 30, 2025	$ 9,913,384 (1)
Less: Sales Tax Revenue Bonds Requirements 2026 Fiscal Year.	2,967,219
Balance	$ 6,946,165
Less: General Obligation Bond Requirements, 2026 Fiscal Year	2,636,582
Balance	$ 4,309,583
Percentage of Sugar Land Development Corporation Bonds, Self-Supporting	100.00%
Park at Eldridge PID Self-Supporting Debt	$ 41,879
Less: General Obligation Bond Requirements 2026 Fiscal Year	-
Balance	$ 41,879

(1) It is the City's current policy to provide these payments from the respective revenue sources shown above; this policy is subject to change in the future.

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Date of Election Authorization	Amount Authorized	Purpose	Issued to Date	Issuance of the Bonds	Authorized but Unissued
11/5/2024	$ 144,500,000	Public Safety	$ 15,675,000	$34,650,000	$ 94,175,000
11/5/2024	118,000,000	Street & Sidewalks	6,850,000	5,525,000	105,625,000
11/5/2024	35,000,000	Drainage	2,850,000	13,575,000	18,575,000
11/5/2024	40,500,000	Municipal Facility	275,000	4,075,000	36,150,000
11/5/2024	12,000,000	Animal Shelter	-	12,000,000	-
11/5/2019	6,600,000	Animal Shelter	2,050,000	4,550,000	-
	$ 356,600,000		$ 27,700,000	$74,375,000	$ 254,525,000

ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT

The City does not anticipate the issuance of additional General Obligation debt through the end of the calendar year. The Capital Improvement plan of the City estimates the issuance of $72,000,000 during fiscal year 2027 of General Obligation Bonds.

OTHER OBLIGATIONS

OBLIGATIONS TO STATE – REFUND OF SALES TAX

During the 1999 fiscal year, the Texas State Comptroller of Public Accounts notified the City of Sugar Land, the Sugar Land Development Corporation and the Sugar Land 4B Corporation that the State had remitted $591,620 in sales tax receipts to the City, which were not collected within the City. The State requested the amount to be returned to the State. The City had allocated the sales tax to the Corporations in accordance with the proper sales tax rates. The City settled with the State to repay the State in annual installments of $19,721 starting October 1, 1999, over a 30-year period without interest.

PENSION FUND

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefits plan in the state-wide Texas Municipal Retirement System ("TMRS"). The City makes monthly contributions to the plan equal to the amounts accrued for pension expense. (For more detailed information concerning the retirement plan, see APPENDIX B, "EXCERPTS FROM THE CITY OF SUGAR LAND, TEXAS ANNUAL FINANCIAL REPORT" – Note # 9.)

OTHER POST-EMPLOYMENT BENEFITS

In addition to providing pension benefits through the TMRS, the City has opted to provide eligible retired employees with the following post-employment benefits:

- Eligible retirees may purchase health insurance from the City's healthcare provider at the City's cost to cover current employees.
- Eligible retirees may purchase health insurance for dependents from the City's healthcare provider at the City's cost to cover current dependents of employees if the dependents were covered by City insurance when the employee retired.

The City recognizes its share of the costs of providing these benefits when paid, on a "pay-as-you-go" basis. These payments are budgeted annually. The amount received for the fiscal year ended September 30, 2025 is $173,932. The appropriation for the fiscal year ending September 30, 2026 is $163,889. At September 30, 2025, there were 393 retirees, 23 of whom participated in the retiree health care coverage, 12 were in the plan for the entire year while 11 were in the plan for part of the year. (For more detailed information concerning the retiree health care plan, see APPENDIX B, "EXCERPTS FROM THE CITY OF SUGAR LAND, TEXAS ANNUAL FINANCIAL REPORT" – Note # 9.)

(For more detailed information concerning the retiree health care plan, see APPENDIX B, "EXCERPTS FROM THE CITY OF SUGAR LAND, TEXAS ANNUAL FINANCIAL REPORT" – Note # 10.)

FINANCIAL INFORMATION

GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
Revenues:	2025	2024	2023	2022	2021
Property Taxes	$ 42,848,758	$ 39,288,157	$ 35,790,842	$ 33,743,852	$ 32,261,467
Sales Taxes	59,480,303	52,977,640	50,435,776	48,250,933	42,179,260
Franchise & Other Taxes	6,393,030	6,309,595	6,266,320	6,240,654	6,161,287
Licenses & Permits	5,792,146	3,881,170	3,580,007	3,470,579	3,380,955
Fines and Forfeitures	1,133,040	1,211,710	1,386,132	1,195,861	1,133,610
Charges for Services	13,699,283	13,195,030	11,734,396	11,041,160	9,316,549
Interest Earnings	2,693,234	3,740,914	2,651,971	(429,125)	-
Intergovernmental	2,253,710	1,820,062	1,567,923	3,683,713	7,732,744
Other	2,273,630	1,869,998	994,366	1,231,838	648,631
Total Revenues	$ 136,567,134	$ 124,294,276	$ 114,407,733	$ 108,429,465	$ 102,814,503
Expenditures:					
General Government	$ 31,418,670	$ 30,179,510	$ 23,167,299	$ 19,865,571	$ 19,641,039
Administrative Services	6,039,187	5,731,638	5,474,291	4,398,780	4,494,775
Public Safety					
Public Safety - Police	32,783,346	31,380,649	27,926,054	23,848,645	22,216,304
Public Safety - Dispatch	3,696,949	3,573,475	3,242,545	2,907,956	2,607,837
Public Safety - Fire	26,021,856	23,499,555	20,030,107	17,739,029	16,379,250
Public Safety - EMS	-	-	-	-	-
Community Services	-	-	11,940,164	13,472,544	-
Public Works	12,677,054	12,407,075	6,059,289	5,662,215	11,903,016
Parks and Recreation	7,009,514	6,906,192	5,760,963	5,526,198	4,818,174
Community Development	7,290,805	6,919,452	8,976,000	7,208,678	5,375,408
Environmental and Neighborhood Services	9,192,836	9,442,500	369,948	-	6,002,006
Debt Service	2,972,628	2,333,821	-	-	-
Total Operating Expenditures	$ 139,102,845	$ 132,373,867	$ 112,946,660	$ 100,629,616	$ 93,437,809
Net Revenue From Operations	$ (2,535,711)	$ (8,079,591)	$ 1,461,073	$ 7,799,849	$ 9,376,694
Operating Transfers (In/Out)	$ (79,138)	$ (1,329,523)	$ (11,729)	$ (472,067)	$ 16,053
Other Financing Sources (Uses)	4,338,781	7,026,822	-	-	-
Net Change in fund balance	1,723,932	(2,382,292)	1,449,344	7,327,782	9,392,747
Fund Balance, October 1	$ 55,454,218	$ 57,836,510	$ 56,387,166 (1)	$ 48,989,567 (1)	$ 39,666,637
Prior Period Adjustments	-	-	-	-	-
Fund Balance, End of Year	$ 57,178,150	$ 55,454,218	$ 57,836,510	$ 56,317,349	$ 49,059,384

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(1) Restated.

FINANCIAL ACCOUNTING

The accounts of the City are organized on the basis of funds, each of which constitutes a separate entity for accounting purposes. The Statement of Net Assets and the Statement of Activities are the government-wide statements and report information about the City as a whole. The most significant area of the fund accounting basis is the General Fund, which accounts for all revenues and expenditures of the City not accounted for in the various enterprise funds or the other funds maintained by the City. Other than ad valorem taxes, the primary sources of General Fund revenue include sales and use taxes, franchise fees, and miscellaneous sources, such as fines, penalties, licenses, fees, interest income from investments and other taxes. The Enterprise Funds consist of the Water and Wastewater Fund, the Surface Water Fund, the Airport Fund, and the Solid Waste Fund (collectively, the "Enterprise Funds"). The GASB 34 entity-wide statements reflect full accrual. For a description of the accrual methods and the reporting entity definition, see Note 1 of the notes to the Financial Statements in APPENDIX B.

Other funds maintained by the City are the following: (i) the Special Revenue Funds, including expendable trust funds; (ii) the Internal Service Funds; (iii) the Debt Service Fund; and (iv) the Capital Projects Funds.

BUDGETING

Annual appropriated budgets are adopted for the General, Special Revenue, and Debt Service Funds using the same basis of accounting as for financial reporting. Unencumbered appropriations lapse at the end of the fiscal year.

Expenditures may not legally exceed budgeted appropriations at the department level. Expenditure requests which would require an increase in total budgeted appropriations must be approved by City Council through a formal budget amendment. At any time in the fiscal year, the City Council may make emergency appropriations to meet a pressing need for public expenditure in order to protect the public health, safety, or welfare. The City Council has the power to transfer any unencumbered funds allocated by the budget to one activity, function, or department, to another activity, function, or department, to re-estimate revenues and expenditures, and to amend the budget.

Management has the power to transfer available funds allocated by the budget from one function or activity to another function or activity within the same department.

In cooperation with the department heads of the City and the Budget Office, the City Manager prepares an annual budget for all funds for the ensuing fiscal year, in a form and system deemed desirable by the City Manager. The City Manager submits to the Council, for its review, consideration and revision, both a letter describing the proposed new budget, as well as a balanced budget for the forthcoming fiscal year, not later than sixty (60) days prior to the end of the current fiscal year. The budget, as adopted, must set forth the appropriations for services, functions and activities of the various City departments and agencies, and shall meet all fund requirements provided by law and required by bond covenants.

INVESTMENTS

The City invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the City Council. Both state law and the City's investment policies are subject to change.

LEGAL INVESTMENTS

Under Texas law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit (i) meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) that are issued by or through an institution that either has its main office or a branch in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits or, (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the City; (iii) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (iv) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (v) the City appoints the depository institution selected under (ii) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit issued for the account of the City; (8) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1) require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (9) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (10) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of ninety (90) days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share; and (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two (2) years, invest exclusively in obligations described in the this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below. Texas law also permits the City to invest bond proceeds in a guaranteed investment contract, subject to limitations as set forth in the Public Funds Investment Act, Texas Government Code, Chapter 2256.

A political subdivision such as the City may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (10) through (12) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAm or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two (2) years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution.

The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than ten (10) years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for City funds, the maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, the City's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." At least quarterly the City's investment officers must submit an investment report to the City Council detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending value and fully accrued interest for the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period by the type of asset and fund type invested, (5) the maturity date of each separately invested asset that has a maturity date, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest City funds without express written authority from the City Council.

ADDITIONAL PROVISIONS

Under Texas law the City is additionally required to: (1) annually review its adopted policies and strategies; (2) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (3) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (5) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (6) restrict reverse repurchase agreements to not more than ninety (90) days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (7) restrict its investment in mutual funds in the aggregate to no more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, and to invest no portion of bond proceeds, reserves and funds held for debt service, in mutual funds; and (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

CURRENT INVESTMENTS

As of March 31, 2026, the City's investable funds were invested in the following categories:

	Percent	Par Value	Book Value	Market Value
Cash/ Sweep	25.20%	$ 144,721,686	$ 144,721,686	$ 144,721,686
Escrow (MMF)	7.23%	41,543,928	41,543,928	41,543,928
Texas CLASS	43.45%	249,533,004	249,533,004	249,533,004
TexPool	1.78%	10,241,364	10,241,364	10,241,364
TexStar	11.07%	63,593,087	63,593,087	63,593,087
CD's	2.20%	12,648,000	12,648,000	12,653,697
Agencies	9.05%	52,000,000	51,994,821	51,813,092
	100.00%	$ 574,281,069	$ 574,275,890	$ 574,099,858

Texas CLASS was created as a local government investment pool. Entities may pool any of their funds, or funds under their control, to preserve principal, maintain the liquidity of the funds, and maximize yield. The Texas CLASS Trust Agreement is an agreement of indefinite term regarding the investment, reinvestment, and withdrawal of local government funds. The parties to the Trust Agreement are Texas local government entities that choose to participate in the Trust (the Participants), Public Trust Advisors, LLC (Public Trust) as Program Administrator, and Wells Fargo Bank Texas, N.A. as Custodian.

TexPool is a local government investment pool under the control of the Texas Comptroller of Public Accounts. Investment management and customer service are outsourced by the Comptroller. The pool's investment objectives include achieving a stable net asset value of $1.00 per share. Daily investment or redemption of funds is allowed by the participants.

TexSTAR is a local government investment pool for whom First Southwest Asset Management, Inc., an affiliate of HilltopSecurities Inc., the City’s financial advisor, provides customer service and marketing for the pool. TexSTAR currently maintains a "AAAm" rating from Standard & Poor’s and has an investment objective of achieving and maintaining a stable net asset value of $1.00 per share. Daily investments or redemptions of funds are allowed by the participants.

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THE MUNICIPAL AIRPORT SYSTEM

GENERAL

The City owns and operates the Sugar Land Municipal Airport (the "Airport"), which provides general aviation services seven (7) days a week. Airport facilities include an 8,000-foot runway, a control tower, various hangars and a terminal. Services provided include aircraft fueling, defueling, tugging, U.S. Customs and parking. The primary sources of revenues are fuel sales, hangar leases and land leases.

As of June 1, 2026, the City has outstanding $105,000 of the $21,205,000 Combination Tax and Revenue Certificates of Obligation, Series 2013 (the "Series 2013 Certificates"), $905,000 of the $15,530,000 Combination Tax and Revenue Certificates of Obligation, Series 2015 (the "Series 2015 Certificates"), $605,000 of the $11,890,000 General Obligation Refunding Bonds, Series 2015 (the "Series 2015 Refunding Bonds"), $60,000 of the $22,970,000 General Obligation Refunding Bonds, Series 2016 (the "Series 2016 Refunding Bonds"), $1,350,000 of the $21,115,000 Combination Tax and Revenue Certificates of Bonds, Series 2017 (the "Series 2017 Certificates"), $1,275,000 of the $16,100,000 Combination Tax and Revenue Certificates of Obligation, Series 2019A (the "2019A Certificates"), and $5,605,000 of the $6,235,000 Combination Tax and Revenue Certificates of Obligation, Series 2023 (the "Series 2023 Certificates") (collectively, the "Airport Obligations"). Although the Airport Obligations are payable from ad valorem taxes, the City has historically paid them from net revenues derived from the operation of the Airport and intends to continue to do so. Debt service on the Airport Obligations (excluding the portions of the Series 2013 Certificates, the Series 2015 Certificates, the Series 2015 Refunding Bonds, the Series 2016 Refunding Bonds, the Series 2017 Certificates, the 2019A Certificates, and the Series 2023 Certificates that are not airport related and are paid from ad valorem tax revenues) is accounted for in the City's Airport Enterprise Fund and not in the General Long-Term Debt Account Group. Property taxes received from Airport property are used for development of the Airport. Should Airport revenues be insufficient in any year to pay principal and interest on the Airport Obligations, the City would be required to levy a tax sufficient, together with other available funds, to pay principal and interest on such obligations.

AIRPORT SYSTEM OPERATING STATEMENT

	Fiscal Year Ended September 30,				
Revenues:	2025	2024	2023	2022	2021
Charges for Service	$ 24,843,985	$ 22,913,330	$ 23,501,267	$ 24,901,563	$ 15,025,315
Other Revenues	1,590,798	1,658,693	1,376,215	883,126	407,884
Total Revenues	$ 26,434,783	$ 24,572,023	$ 24,877,482	$ 25,784,689	$ 15,433,199
Expenses:					
Total Expenses	$ 19,995,680	$ 20,427,265	$ 20,878,488	$ 20,910,618	$ 13,431,582
Net Revenue Available for Debt Service	$ 6,439,103	$ 4,144,758	$ 3,998,994	$ 4,874,071	$ 2,001,617
Debt Service Requirements	$ 1,326,119	$ 1,934,243	$ 1,933,028	$ 1,480,896	$ 1,349,016
Coverage	4.86x	2.14x	2.07x	3.29x	1.48x

WATERWORKS AND SEWER SYSTEM

GENERAL

The City owns and operates its water supply, storage, and distribution facilities and provides services to approximately 39,221 customers. Wastewater treatment is provided by four wastewater treatment plants: the Sugar Land Regional Sewerage System Plant, the South Wastewater Treatment Plant, the Greatwood Wastewater Treatment Plant and the West Wastewater Treatment Plant (currently operated under contract by the Brazos River Authority). Total daily treatment capacity at the four plants is 17.35 million gallons, and average daily treatment for the year ended September 30, 2025 is 10.59 million gallons.

The City's total water system consists of 652 miles of water mains serving 39,221 distribution connections as of September 30, 2025. The City's water is supplied by 23 groundwater wells and a surface water treatment plant to meet annual water demands of 7.62 billion gallons. Storage capacity is 19.7 million gallons in ground storage tanks and 6.2 million gallons in elevated storage tanks.

For fiscal year ending September 30, 2025, the system had average daily production of 20.9 million gallons and a maximum daily production capacity of 92.8 million gallons with maximum daily demand of 35.2 million gallons.

The City has entered into a contract with the Brazos River Authority (the "BRA") to operate all four wastewater treatment plants beginning October 1, 2018. The annual payments to the BRA have been recorded in the City Water and Wastewater Fund as operating expenses. Payments during the year ended September 30, 2025 to the BRA amounted to $4.38 million (including plant rehabilitation).

As of June 1, 2026, the City has outstanding $7,575,000 of the $15,765,000 Waterworks and Sewer System Revenue Bonds, Series 2013, $7,800,000 of the $15,750,000Waterworks and Sewer System Revenue Refunding Bonds, Series 2015, $14,260,000 of the $31,710,000 Waterworks and Sewer System Revenue and Refunding Bonds, Series 2016, $13,685,000 of the $19,780,000 Waterworks and Sewer System Revenue Bonds, Series 2017, $10,150,000 of the $13,660,000 Waterworks and Sewer System Revenue Bonds, Series 2019, $5,425,000 of the $6,835,000 Waterworks and Sewer System Revenue Bonds Series 2020, $16,635,000 of the $21,820,000 Waterworks Revenue Bonds, Series 2021, $18,535,000 of the $21,820,000 Waterworks and Sewer System Revenue Bonds, Series 2022, $13,995,000 of the $15,555,000 Waterworks and Sewer System Revenue Bonds, Series 2022A, $18,145,000 of the $ 19,100,000 Waterworks and Sewer System Revenue Bonds, Series 2024, and $64,545,000 of the $64,545,000 Waterworks and Sewer System Revenue Bonds, Series 2025 (collectively, the "System Parity Bonds").

GROUNDWATER REDUCTION PLAN AND SURFACE WATER FEES

To meet the Fort Bend Subsidence District ("FBSD") regulations, the City approved a Groundwater Reduction Plan ("GRP") that outlines the City's planned strategies for meeting the mandated conversion to non-groundwater sources. In June 2025 the FBSD approved a 3-year delay in the 60% ground water reduction mandate moving the City's deadline to April 2030. Under the FBSD regulations, 30% of the City's total water demand must be supplied by sources other than groundwater by 2014 and 60% of the City's water demand must be supplied by sources other than groundwater by 2030. The City constructed a surface water treatment plant ("SWTP") along with other associated projects to implement the phased conversion from groundwater to surface water. The SWTP was constructed for an initial production capacity of 9.0 million gallons per day (MGD) (Phase I), with capability for future expansion to 22.0 MGD (Phase II). The City is currently meeting the 2014 conversion requirements. In order to meet the 2030 conversion requirements, the City will consider options including the expansion of the SWTP and water reuse among other options.

The City has established a Surface Water Division within the system utility fund to account for expenses associated with the groundwater reduction efforts. Revenue from groundwater reduction fees paid by utility customers of the City are deposited into the system utility fund from all GRP participants, including City utility customers. The GRP fee is currently $3.45 per 1,000 gallons pumped. The GRP fee combined with water and sewer user fees will be increased in amounts estimated to be sufficient to pay the debt service on the City's System Parity Bonds, a portion of the City's Combination Tax and Revenue Certificates of Obligation, Series 2016 (the "Series 2016 Certificates") and the General Obligation Refunding Bonds, Series 2017 (the "Series 2017 Bonds" and together with the Series and Series 2016 Certificates, the "Surface Water Enterprise Obligations") and the portion of assumed municipal utility district debt that is allocated to the waterworks and wastewater enterprise system. The Surface Water Enterprise Obligations are secured by a pledge of both ad valorem taxes and a subordinate pledge of net revenues of the City's waterworks and sewer system; however, it is the intention and practice of the City to pay for the Surface Water Enterprise Obligations from such net revenues. Should there be a shortfall in available net revenues, the System Parity Bonds will be paid prior to the Surface Water Enterprise Obligations from net revenues. The City would then be required to levy taxes sufficient with other available funds to pay principal and interest on the Surface Water Enterprise Obligations, but taxes are levied annually in September of each year and become delinquent by February 1, so the City would need to anticipate the shortfall in order to timely levy taxes. In the past, the City has paid other outstanding certificates of obligation secured by pledges of ad valorem taxes and a subordinate pledge of the City's waterworks and sewer system primarily from ad valorem taxes.

SYSTEM DEBT SERVICE COVERAGE AND FUND BALANCES

	Fiscal Year Ended September 30				
	2025	2024	2023	2022	2021
Total Operating Revenues	$ 86,179,580	$ 78,947,412	$ 79,871,647	$ 65,678,808	$ 53,788,215
Total Operating Expenses	42,120,118	39,490,023	34,561,128	30,687,193	30,129,980
Amount Available for Revenue Debt Service	$ 44,059,462	$ 39,457,389	$ 45,310,519	$ 34,991,615	$ 23,658,235
Annual Revenue Bond Debt Service(1)	$ 22,479,081	$ 16,789,990	$ 14,988,038	$ 13,984,067	$ 10,754,069
Net Revenue Coverage	1.96x	2.35x	3.02x	2.50x	2.20x
Surplus Available Funds	$ 21,580,381	$ 22,667,399	$ 30,322,481	$ 21,007,548	$ 12,904,166

(1) Debt requirement shown for the ensuing fiscal year.

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THE CITY

GOVERNMENTAL STRUCTURE

The City was incorporated in 1959 and adopted its Charter in November 1980. The City operates under a council-manager form of government. The City Council consists of a Mayor and six council members, all of whom are elected for three-year terms. The Mayor and two Council members are elected in even numbered years and four Council members are elected in odd numbered years. The Mayor and two Council members are elected at large, and the remaining four are elected by the City.

The Mayor presides at City Council meetings and is entitled to vote on all matters considered by City Council. Powers of the City are vested in the City Council and include appointment of the City Manager, boards and commissions, adoption of the budget, authorization of bond issues, and adoption of ordinances and resolutions as deemed necessary, desirable and beneficial to the City. The City Manager is responsible for administrative and day to day operations of the City.

LOCATION OF THE CITY

The City is located in Fort Bend County and encompasses approximately 42.85 square miles. The City is approximately 20 miles southwest of Houston, Texas.

SERVICES PROVIDED BY THE CITY

The City provides water, sanitary sewer, airport, and park services. Additionally, it provides local law enforcement, fire protection, solid waste disposal, and building inspection; maintains its storm drainage facilities, bridges and streets; and operates community recreation facilities.

The City does not operate hospitals, a school system, transit services or a higher education system and does not spend City funds in providing welfare. Public schools within the boundaries of the City are administered by school districts with independent taxing authority.

POTENTIAL FOR GULF STORM IMPACTS

The City is located near the Gulf Coast area. All of the U.S. Gulf Coast is subject to hurricanes, tropical storms and other weather events that can cause the loss of life and damage to property through weather events that include strong winds, storm surges, flooding and heavy rains. As has been seen in recent hurricanes that have landed along the U.S. Gulf Coast, such weather events can cause substantial interruption of business activity. In the event of a severe storm in the vicinity of the City, the City could experience reduced business activity for a prolonged period, which would adversely affect the receipts of service fees and revenues and possibly its ability to pay contractual commitments and debt obligations. As a result of the damage caused by the hurricanes, the City has had to make significant repairs and replacements to its systems. The costs for most of the system repairs have been paid from insurance proceeds or federal relief funds. Additional hurricanes striking the area of the City in the future could result in decreases in population, taxable assessed valuations and require additional system repairs.

PERIODIC FLOODING

The City of Sugar Land is located in the Texas Gulf Coastal plains. The City has a relatively flat topography and a humid subtropical climate. Two potential flooding sources are located within the City limits. The Brazos River is located to the South of the City, while Oyster Creek crosses the City from northwest to southeast on the north side of Highway 6.

Within the City limits, there are nine (9) Levee Improvement Districts ("LIDs"), which own and operate several important drainage channels and detention ponds. The LIDs also own and operate the levees and pump stations that protect the southern section of the City from flooding mainly from the Brazos River. The North section of the City is not protected by levees, but the majority of the neighborhoods are outside the special flood hazard areas.

Due to its location, the City is affected by rain events, tropical storms and hurricanes, such as Hurricane Harvey. Certain areas of the City are subject to periodic flooding as a result of severe storm events. Some neighborhoods within the City have experienced severe street ponding during severe tropical storms.

The City of Sugar Land participates in the National Flood Insurance Program administered by the Federal Emergency Management Agency ("FEMA"). Communities participating in the National Flood Insurance Program are required by FEMA to adopt restrictions on development in designated flood-prone areas. In exchange, the National Flood Insurance Program makes federally subsidized flood insurance available to property owners located in the participating communities.

Given the increased development and urbanization within Fort Bend County and the City of Sugar Land, FEMA periodically updates and revises its maps designating the areas of the County that are subject to special flood hazards. Areas of the City protected by levees are considered to be outside the flood-prone area.

CYBERSECURITY

The City, like other cities in the State, utilizes technology in conducting its operations. As a user of technology, the City potentially faces cybersecurity threats (e.g., hacking, phishing, viruses, malware and ransomware) on its technology systems. Accordingly, the City may be the target of a cyber-attack on its technology systems that could result in adverse consequences to the City. The City employs a multi-layered approach to combating cybersecurity threats. While the City deploys layered technologies and requires employees to receive cybersecurity training, as required by State law, among other efforts, cybersecurity breaches could cause material disruptions to the City's finances or operations. The costs of remedying such breaches or protecting against future cyber-attacks could be substantial and there is no assurance that these costs will be covered by insurance. Further, cybersecurity breaches could expose the City to litigation and other legal risks, which could cause the City to incur other costs related to such legal claims or proceedings.

MUNICIPAL UTILITY DISTRICTS WITHIN THE CITY

The City has entered into utility agreements with six municipal utility districts which are within the City's boundaries: Burney Road Municipal Utility District, Fort Bend County Municipal Utility District Nos. 136, 137, 138 and 139 in Telfair and First Colony Municipal Utility District No. 10 in Lake Pointe. Pursuant to the agreements, the districts are to acquire and construct water, sanitary sewer, and drainage facilities to serve the area within the districts and may issue bonds to finance such facilities. Such agreements provide the following:

(1) As water, sanitary sewer, and drainage facilities are acquired and constructed, the districts will transfer the facilities to the City, reserving a security interest therein for the purpose of securing performance of the City under the agreements. At such time as the bonds of the districts are discharged, the districts will release the security interest and the City will own the improvements.

(2) The water and wastewater rates charged by the City will be equal and uniform to those charged other similar users within the City, with all revenues belonging exclusively to the City.

(3) The City has agreed to pay the districts a tax rebate of the ad valorem taxes collected on land and improvements within the districts. The rebates for the year ended September 30, 2025, were approximately $5.5 million. Estimated payments for the period ending September 30, 2026, budget are $7.0 million.

The City has entered into agreements with various municipal utility districts, Fort Bend County and the City's extraterritorial jurisdiction (ETJ) to provide fire services within the developments of Tara and Riverstone subdivisions. The districts pay a fee for these services. In addition, Fort Bend County reimburses the City for calls made into the unincorporated areas of the county. The City estimated to have received $1.2 million from the participating municipal utility districts and Fort Bend County in the year ending September 30, 2026 in connection with these agreements.

ANNEXATION POLICY

The City has expanded its geographic boundaries and its tax base through the annexation of contiguous unincorporated areas within the extraterritorial jurisdiction of the City. Upon annexation of a utility district by the City, Texas law generally requires that the City (1) take over all properties and assets of the district, (2) assume all debts, liabilities and obligations of the district, and (3) perform all functions and services of the district. When the City assumes district bonds or other obligations payable in whole or in part from ad valorem taxes, Texas law requires the City to levy and collect ad valorem taxes on all taxable property within the City in amounts sufficient to pay the principal of and interest on such assumed bonds and obligations. Under existing law, neither the annexation of districts nor the assumption of their outstanding bonds or other obligations requires voter authorization.

The City has adopted an annexation policy to consider general issues which may impact the City prior to the annexation of any area. The annexation policy requires a detailed financial analysis to be prepared for review by the City Council. Public information is provided to both the citizens of the City as well as the citizens of the areas proposed for annexation, and opportunity is provided for public input. The City's annexation plan must adhere to the overall goals of the City and must maintain the quality of life in the annexed areas as well as the City.

NEW DEVELOPMENT IN EXTRATERRITORIAL JURISDICTION OF THE CITY

The City has entered into a development agreement with Pulte Homes of Texas, L.P. for the development of 958.46 acres located south of FM 2579 and east of FM 762, including a tract north of FM 2759. The agreement contemplates the creation of Fort Bend County MUD No. 269 (the "District") that will take assignment of the development agreement. The project will consist of approximately 3,100 single family equivalent connections. The City will provide fee-based services to the proposed development, including water supply and wastewater treatment services, fire services, EMS services, development review and inspections services in line with the City's land use and development standards.

TAX EXEMPTION

OPINIONS OF BOND COUNSEL

In the opinion of Bond Counsel, under current law, interest on the Obligations (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum income tax, and (c) is taken into account by applicable corporations (as defined in Section 59(k) of the Code for the alternative minimum tax imposed on such corporations. No other opinion is expressed by Bond Counsel regarding the tax consequences of the ownership of or the receipt or accrual of interest on the Obligations.

Bond Counsel's opinions are given in reliance upon certifications by representatives of the City as to certain facts relevant to both the opinions and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and is subject to the condition that there is compliance subsequent to the issuance of the Obligations with all requirements of the Code that must be satisfied in order for interest thereon to remain excludable from gross income for federal income tax purposes. The City has covenanted to comply with the current provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Obligations and the timely payment to the United States of any arbitrage rebate amounts with respect to the Obligations. Failure by the City to comply with such covenants, among other things, could cause interest on the Obligations to be included in gross income for federal income tax purposes retroactively to their date of issue.

Customary practice in the giving of legal opinions includes not detailing in the opinion all the assumptions, limitations and exclusions that are a part of the conclusions therein. See "Statement on the Role of Customary Practice in the Preparation and Understanding of Third-Party Legal Opinions", 63 Bus. Law. 1277 (2008) and "Legal Opinion Principles", 53 Bus. Law. 831 (May 1998). Underwriters of the Obligations should seek advice or counsel concerning such matters as they deem prudent in connection with their purchase of Obligations.

Bond Counsel's opinions represent its legal judgment based in part upon the representations and covenants referenced therein and its review of current law, but is not a guarantee of result or binding on the Internal Revenue Service (the "Service") or the courts. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may come to Bond Counsel's attention after the date of its opinions or to reflect any changes in law or the interpretation thereof that may occur or become effective after such date.

ALTERNATIVE MINIMUM TAX

Individuals – Bond Counsel's opinions state that under current law interest on the Obligations is not an item of reference and is not subject to the alternative minimum tax on individuals.

Applicable Corporations – Bond Counsel's opinions also states that under current law interest on the Obligations is taken into account by applicable corporations (as defined in Section 59(k) of the Code) for the alternative minimum tax imposed on such corporations. Under current law, an "applicable corporation" generally is a corporation with average annual adjusted financial statement income for a 3-taxable-year period ending after December 31, 2021 that exceeds $1 billion.

OTHER TAX MATTERS

The Obligations will not be designated as qualified tax-exempt obligations within the meaning of Section 265(b)(3) of the Code.

In addition to the matters addressed above, prospective purchasers of the Obligations should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including without limitation financial institutions, property and casualty insurance companies, S corporations, foreign corporations subject to the branch profits tax, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Obligations should consult their tax advisors as to the applicability and impact of such consequences.

Prospective purchasers of the Obligations should consult their own tax advisors as to the status of interest on the Obligations under the tax laws of any state, local, or foreign jurisdiction.

The Service has a program to audit state and local government obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the Service does audit the Obligations, under current Service procedures, the Service will treat the City as the taxpayer and the owners of the Obligations will have only limited rights, if any, to participate.

There are many events that could affect the value and liquidity or marketability of the Obligations after their issuance, including but not limited to public knowledge of an audit of the Obligations by the Service, a general change in interest rates for comparable securities, a change in federal or state income tax rates, federal or state legislative or regulatory proposals affecting state and local government securities and changes in judicial interpretation of existing law. In addition, certain tax considerations relevant to owners of Obligations who purchase Obligations after their issuance may be different from those relevant to purchasers upon issuance. Neither the opinion of Bond Counsel nor this Official Statement purports to address the likelihood or effect of any such potential events or such other tax considerations and purchasers of the Obligations should seek advice concerning such matters as they deem prudent in connection with their purchase of Obligations.

ORIGINAL ISSUE DISCOUNT

Some of the Obligations may be sold at initial sale prices that are less than their respective stated redemption prices payable at maturity (collectively, the "Discount Obligations"). The excess of (i) the stated redemption price at maturity of each maturity of the Discount Obligations, over (ii) the initial offering price to the public (excluding bond houses and brokers) at which a substantial amount of each maturity of the Discount Obligations is sold will constitute original issue discount. Original issue discount will accrue for federal income tax purposes on a constant-yield-to-maturity method based on regular compounding; and a holder's basis in such a Bond will be increased by the amount of original issue discount treated for federal income tax purposes as having accrued on the Bond while the holder holds the Bond.

Under the Code, for purposes of determining a holder's adjusted basis in a Discount Bond, original issue discount treated as having accrued while the holder holds the Bond will be added to the holder's basis. Original issue discount will accrue on a constant-yield-to-maturity method based on semiannual compounding. The adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of a Discount Bond.

Prospective purchasers of Discount Obligations should consult their own tax advisors as to the calculation of accrued original issue discount and the state and local tax consequences of owning or disposing of such Obligations.

OBLIGATION PREMIUM

Obligations purchased, whether upon issuance or otherwise, for an amount (excluding any amount attributable to accrued interest) in excess of their principal amount will be treated for federal income tax purposes as having amortizable bond premium. A holder's basis in such a Bond must be reduced by the amount of premium which accrues while such Bond is held by the holder. No deduction for such amount will be allowed, but it generally will offset interest on the Obligations while so held. Underwriters of such Obligations should consult their own tax advisors as to the calculation, accrual and treatment of amortizable bond premium and the state and local tax consequences of holding such Obligations.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinances, the City has made the following agreement for the benefit of the holders and beneficial owners of the Obligations. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Obligations. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB"). This information will be available free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

ANNUAL REPORTS

The City will provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under the headings "TAX DATA" (except for the information under the subcaption "ESTIMATED OVERLAPPING BOND DEBT PAYABLE FROM AD VALOREM TAXES"), "FINANCIAL INFORMATION," "DEBT INFORMATION," "THE MUNICIPAL AIRPORT SYSTEM," "WATERWORKS AND SEWER SYSTEM," "OTHER OBLIGATIONS" and in APPENDIX B. The City will update and provide this information within six (6) months after the end of each fiscal year ending on and after September 30, 2026. If audited financial statements are not available by the required time, the City will file unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation. The City may provide updated information in full text or may incorporate by reference documents available on EMMA or filed with the United States Securities and Exchange Commission (the "SEC").

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

EVENT NOTICES

The City will also provide timely notices of certain events to the MSRB. The City will provide notice in a timely manner not in excess of ten (10) business days after the occurrence of the event of any of the following events with respect to the Obligations, (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 Obligations, or other material events affecting the tax status of the Obligations; (7) modifications to rights of holders of the Obligations, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Obligations, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor Trustee or change in the name of the Trustee, if material, (15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material, and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties. As used above, the phrase "bankruptcy, insolvency, receivership or similar event" means the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court of governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if jurisdiction has been assumed by leaving the Board and officials or officers of the City in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. (Neither the Obligations nor the Ordinances make any provision for liquidity enhancement or credit enhancement, merger, consolidation, or acquisition). As used in this section, the term "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of a debt obligation or any such derivative instrument, provided that "financial obligation" shall not include municipal securities as to which a final official statement (as defined in 15c2-12 Rule) has been provided to the MSRB consistent with Rule 15c2-12. The City intends the words used in the above clauses (15) and (16) and in the definition of financial obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018. In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

AVAILABILITY OF INFORMATION

The City has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

LIMITATIONS AND AMENDMENTS

The City has agreed to update information and to provide notices of material events only as described above. The City 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 City 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 City disclaims any contractual or tort liability for damages resulting in whole or in part from a breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Obligations may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, would have permitted an underwriter to purchase or sell Obligations in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Obligations consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Obligations. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the the Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of the the Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Obligations in the primary offering of the Obligations. If the City so amends the agreement, it has agreed to include with the next financial information and operating data 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

Due to an administrative oversight, notice of the incurrence of a financial obligation for the City's $16,500,000 General Obligation Bonds, Series 2021A, privately placed on August 24, 2021, was not filed in a timely manner. Such notice was filed on EMMA on October 31, 2022. All related information and notices have been filed as of this date.

Other than as provided above, for the past five (5) years, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with Rule 15c2-12.

OTHER INFORMATION

RATINGS

The Obligations and presently outstanding tax backed debt of the City are rated "AAA" by S&P and "AAA" by Fitch, without regard to credit enhancement. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Obligations.

LITIGATION

It is the opinion of the City Attorney that there is no pending litigation against the City that would have a material adverse financial impact upon the City or its operations.

REGISTRATION AND QUALIFICATION OF OBLIGATIONS FOR SALE

The sale of the Obligations has not been registered under the Federal Securities Act of 1933, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Obligations have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Obligations been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Obligations under the securities laws of any jurisdiction in which the Obligations may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Obligations shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Obligations are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Obligations by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Obligations be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - RATINGS" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Obligations are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Obligations are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Obligations are legal investments for various institutions in those states.

LEGAL MATTERS

The City will furnish complete transcripts of proceedings incident to the authorization and issuance of the Obligations, including the unqualified approving legal opinions of the Attorney General of Texas approving the Initial Bond (as to the Bonds) and the Initial Certificate (as to the Certificates) and to the effect that the Obligations are valid and legally binding obligations of the City, and based upon examination of such transcripts of proceedings, the approving legal opinions of Bond Counsel.

Certain legal matters relating to the authorization and validity of the Obligations will be subject to the approving opinions of Hunton Andrews Kurth LLP, Bond Counsel, which will be furnished at the expense of the City upon delivery of the Obligations, in substantially the forms set forth as Appendix C (the "Bond Opinions"). The Bond Opinions will be limited to matters relating to authorization and validity of the Obligations and to the tax-exempt status of interest thereon as described in the section "Tax Exemption". Bond Counsel has not been engaged to investigate the financial resources of the City or its ability to provide for payment of the Obligations, and the Bond Opinions will make no statement as to such matters or as to the accuracy or completeness of this Official Statement or any other information that may have been relied on by anyone in making the decision to purchase Obligations.

The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Obligations is contingent on the sale and delivery of the Obligations. The Bond Opinions will accompany the Obligations deposited with DTC or will be printed on the Obligations in the event of the discontinuance of the Book-Entry-Only System.

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

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from City records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

FINANCIAL ADVISOR

Hilltop Securities, Inc. is employed as Financial Advisor to the City in connection with the issuance of the Obligations. The Financial Advisor's fee for services rendered with respect to the sale of the Obligations is contingent upon the issuance and delivery of the Obligations. Hilltop Securities, Inc. has agreed, in its Financial Advisory contract, not to bid for the Obligations, either independently or as a member of a syndicate organized to submit a bid for the Obligations. Hilltop Securities, Inc., in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Obligations, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

UNDERWRITERS

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the City at a price of $74,608,078.04, (representing the principal amount of the Bonds, plus a net original issue premium of $4,510,668.50, less an underwriting discount of $342,590.46). The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters have agreed, subject to certain conditions, to purchase the Certificates from the City at a price of $17,338,373.39, (representing the principal amount of the Certificates, plus a net original issue premium of $1,380,992.05, less an underwriting discount of $82,618.66). The Underwriters will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Certificates into investment trusts) at prices lower than the public offering prices of such Certificates, and such public offering prices may be changed, from time to time, by the Underwriters.

One of the Underwriters is BOK Financial Securities, Inc., which is not a bank, and the Obligations are not deposits of any bank and are not insured by the Federal Deposit Insurance Corporation.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The Underwriters and its respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and its respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the City for which they received or will receive customary fees and expenses.

RBC Capital Markets, LLC (RBCCM), an underwriter of the Bonds, has entered into a distribution arrangement with its affiliate RBC Securities, Inc. (RBC Securities) (formerly known as City National Securities, Inc.). As part of this arrangement, RBCCM may distribute municipal securities to investors through the financial advisor network of RBC Securities. As part of this arrangement, RBCCM may compensate RBC Securities for its selling efforts with respect to the Bonds.

In the ordinary course of their various business activities, the Underwriters and its respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Obligations, the City will furnish to the Underwriters a certificate, executed by a proper City officer, acting in such officer's official capacity, to the effect that to the best of such officer's knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in the Official Statement, and any addenda, supplement, or amendment thereto, on the date of the Official Statement, on the date of sale of the Obligations, and the acceptance of the best bids therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, the Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in the Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

FORWARD-LOOKING STATEMENTS DISCLAIMER

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. The City's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

ENVIRONMENTAL REGULATIONS

The City is subject to the environmental regulations of the State and the United States. These regulations are subject to change, and the City may be required to expend substantial funds to meet the requirements of such regulatory authorities.

AIR QUALITY

Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the Texas Commission on Environmental Quality ("TCEQ") may adversely affect new industrial, commercial and residential development in Houston and adjacent areas. Under the Clean Air Act Amendments of 1990, the eight county Houston-Galveston-Brazoria Area ("HGB Area") has been designated by the EPA as a non-attainment area under the EPA’s ozone standards. Such areas are required to demonstrate progress in reducing ozone concentrations each year until compliance with EPA’s standards are achieved. To provide for annual reductions in ozone concentrations, the EPA and the TCEQ have imposed increasingly stringent limitations on emissions of volatile organic compounds and nitrogen oxides (chemical precursors of ground level ozone) from existing stationary sources of air emissions. In addition, any significant new source of those types of emissions, such as a new industrial plant, must provide for a net reduction of those air emissions by arranging or paying for reductions of emissions by 1.3 times the amount of pollutants proposed to be emitted by the new source. Even though existing air emissions controls are quite stringent, studies have indicated that even more stringent air emissions controls will be necessary in order for the HGB Area to achieve compliance with ozone standards. Due to the magnitude of air emissions reductions required as well as shortage of economically reasonable control options, the development of a successful air quality compliance plan has been and continues to be extremely challenging and will inevitably impact a wide cross-section of the business and residential community. More stringent controls on sources of air emissions in the HGB Area could make the Houston area a less attractive location to businesses in comparison to other areas of the country that are not subject to similarly stringent air emissions controls. Although air quality data indicates steady improvements in the HGB Area, if it fails to meet EPA’s standards, EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects. The EPA may also impose more stringent emissions offset requirements on new major sources of emissions for which construction has not already commenced.

Other constraints on economic growth and development include lawsuits filed under the Clean Air Act by plaintiffs seeking to require emission reduction measures that are even more stringent than those adopted by TCEQ and approved by EPA. From time to time, various plaintiff environmental organizations have filed lawsuits against TCEQ and EPA seeking to compel the early adoption of additional emission reduction measures, many of which could make it more difficult for businesses to construct or expand industrial facilities or which could result in new restrictions on the actions of businesses, governmental entities and private citizens. Any successful court challenge to the currently effective air emissions control plan could result in the imposition of even more stringent air emission controls that could threaten continued growth and development in the HGB Area.

MISCELLANEOUS

The financial data and other information contained herein have been obtained from City records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

The Ordinances also approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the reoffering of the Obligations by the Underwriters.

Carol McCutcheon
Mayor
City of Sugar Land, Texas

ATTEST:
Linda Mendenhall
City Clerk
City of Sugar Land, Texas

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

POPULATION ESTIMATES

City of Sugar Land

Fiscal Year	Population	Annual % Growth
2017	87,730	0.26%
2018	117,386 (1)	33.80%
2019	118,023	0.54%
2020	118,118	0.08%
2021	118,755	0.54%
2022	111,026 (2)	-6.51%
2023	111,026	0.00%
2024	111,026	0.00%
2025	111,026	0.00%
2026	111,026	0.00%

Source: City of Sugar Land.
(1) Population growth primarily due to annexations.
(2) Population adjustment in 2022 based on 2020 Census results.

TOP EMPLOYERS(1)

City of Sugar Land

Employer	Number of Employees
Houston Methodist Sugar Land Hospital	2,800
Fort Bend ISD	2,259
SLB	1,609
Memorial Hermann Sugar Land Hospital	1,100
ChampionX	805
ABM Industries Inc	755
Accredo Packaging, Inc	652
Quva Pharma	590
HCSS	482
CHI St. Luke's Hospital Sugar Land	473

(1) Source: City of Sugar Land. As of September 30, 2025

LABOR FORCE AND UNEMPLOYMENT RATE

City of Sugar Land

Year	Civilian Labor Force	Total Employment	Unemployment	Rate
2021	59,175	56,035	3,140	5.3%
2022	60,676	58,532	2,144	3.5%
2023	62,565	60,395	2,170	3.5%
2024	56,535	54,374	2,161	3.8%
2025	56,137	53,894	2,243	4.0%
2026	56,162 (1)	53,911	2,251	4.0%

Fort Bend County

Year	Civilian Labor Force	Total Employment	Unemployment	Rate
2021	409,265	385,179	24,086	5.9%
2022	419,021	402,341	16,680	4.0%
2023	432,297	415,144	17,153	4.0%
2024	470,816	451,442	19,374	4.1%
2025	482,845	462,097	20,748	4.3%
2026	482,473 (1)	462,248	20,225	4.2%

(1) Through April 2026.

Source: Texas Employment Commission.

NEW BUILDING CONSTRUCTION PERMITS

Fiscal Year	New Commercial Construction Value	New Residential Construction Value
2017	$ 103,410,115	$ 72,736,817
2018	163,554,817	70,378,761
2019	87,387,700	(1)
2020	134,581,953	(1)
2021	56,446,371	(1)
2022	160,751,963	(1)
2023	105,061,910	(1)
2024	50,449,020	(1)
2025	273,352,417 (2)	(1)

(1) As of 2019, the City no longer collects new residential construction value due to state legislation.
(2) Two commercial permits were issued to FBISD Clements High School for a total construction value of $202,457,602.

Source: City of Sugar Land.

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APPENDIX B

EXCERPTS FROM THE

CITY OF SUGAR LAND, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2025

The information contained in this Appendix consists of excerpts from the City of Sugar Land, Texas Annual Financial Report for the Year Ended September 30, 2025, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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1800 Hughes Landing Blvd, Suite 500
The Woodlands, Texas 77380
713-800-1060

Independent Auditor's Report

The Honorable Mayor
and Members of the City Council
City of Sugar Land, Texas

Report on the Audit of the Financial Statements

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sugar Land, Texas (the "City"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, during the year ended September 30, 2025, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Beginning net position has been restated as a result of the implementation of this statement. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information, as listed in the table of contents, 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 this required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The statements and schedules included in the Other Supplementary Information section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The statements and schedules included in the Other Supplementary Information section are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in the Annual Comprehensive Financial Report

Management is responsible for the other information included in the Annual Comprehensive Financial Report ("ACFR"). The other information comprises the Introductory and Statistical Sections, as listed in the table of contents, but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

The Woodlands, Texas
February 17, 2026

Management's Discussion and Analysis

The management of the City of Sugar Land offers readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2025.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $864.3 million *(net position)*. Of this amount, $137.4 million *(unrestricted net position)* may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $264.8 million, an increase of $38.1 million over the prior year. Approximately 21% of this total amount, $55.5 million, is *available for spending* at the government's discretion *(unassigned fund balance)*.
- The City's Financial Management Policy requires the City to maintain the General Fund's unassigned fund balance equivalent to three months of recurring budgeted operating costs, which is approximately $34.8 million for fiscal year 2025. As of September 30, 2025, the General Fund's unassigned fund balance was $55.5 million.
- The City's total long-term debt increased by $101 million due to the issuance of new debt, net payments on existing debt.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Refer to the table of contents for the location of each of the components discussed below.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the four reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows.* Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, administrative services, public safety, public works, parks and recreation, community development, and environmental and neighborhood services. The business-type activities of the City include utility system, including surface water operations, and solid waste operations as well as the operations of a regional airport facility.

The government-wide financial statements include not only the City itself (known as *the primary government*), but also legally separate entities for which the City is financially accountable. Financial information for these *discretely presented component units* is reported separately from the financial information presented for the primary government itself. The City's four discretely presented component units consist of the following:

- Sugar Land 4B Corporation (4B Corporation)
- Sugar Land Town Square Tax Increment Reinvestment Zone No. 1 (T1RZ 1)
- Sugar Land Reinvestment Zone No. 3 (TIRZ 3)
- Sugar Land Reinvestment Zone No. 4 (TIRZ 4)

The following component unit is a blended component unit, meaning its financial information is included with that of the primary government:

- Sugar Land Development Corporation

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources,* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

The City maintains 18 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Debt Service, and Capital Projects funds, which are considered to be major funds. Data from the other 15 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in the annual comprehensive financial report.

Proprietary Funds – The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its utility system, solid waste operations, stormwater compliance fees, as well as the operations of a regional airport facility. The City uses *internal service funds* to report activities that provide supplies and services for the City's other programs and activities. The Employee Benefits Fund, Fleet Replacement Fund and High-Technology Replacement Fund are the City's internal service funds. Their purpose is to provide for the accumulation of money for employee benefits, as well as vehicle and equipment replacement used in City operations. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the utility system, including the surface water treatment plant, solid waste operations and stormwater compliance fees, as well as the operations of the regional airport facility. The utility system and airport funds are considered to be major funds of the City. Data from the solid waste and stormwater funds, which are considered non-major funds, are combined into a single, aggregated presentation. All internal service funds are also combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for each of the non-major enterprise funds and for the internal service funds is provided in the form of combining statements elsewhere in the annual comprehensive financial report.

Combining Component Unit Financial Statements

The City's four discretely presented component units shown in aggregate on the face of the government-wide financial statements have individual information presented in the form of combining statements immediately following the fund financial statements of the primary government.

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees. The City adopts an annual appropriated budget for its general, debt service and certain special revenue funds. Budgetary comparison schedules have been provided by fund to demonstrate compliance with these budgets.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $864.3 million at the close of the most recent fiscal year.

By far the largest portion of the City's net position, 76.3% or $659.5 million, reflects its net investment in capital assets (e.g., land, buildings, and infrastructure), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending as of September 30, 2025. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Sugar Land, Texas Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
Amounts in (000's)	2025	2024	2025	2024	2025	2024
Current and other assets	$ 348,737	$ 317,937	$ 245,867	$ 172,230	$ 594,604	$ 490,167
Capital assets	654,937	610,878	402,103	407,564	1,057,040	1,018,442
Total assets	1,003,674	928,815	647,970	579,794	1,651,644	1,508,610
Deferred outflows	17,137	19,013	3,884	4,269	21,021	23,282
Total deferred outflows of resources	17,137	19,013	3,884	4,269	21,021	23,282
Long-term liabilities outstanding	417,675	364,925	297,687	244,457	715,362	609,382
Other liabilities	46,328	49,859	9,611	15,232	55,939	65,091
Total liabilities	464,003	414,784	307,298	259,689	771,301	674,473
Deferred inflows	36,146	37,415	944	418	37,090	37,833
Total deferred inflows of resources	36,146	37,415	944	418	37,090	37,833
Net position:						
Net investment in capital assets	420,817	402,755	238,725	234,539	659,542	637,294
Restricted	58,156	52,776	9,196	8,768	67,352	61,544
Unrestricted	41,689	40,099	95,691	80,649	137,380	120,748
Total net position	$ 520,662	$ 495,630	$ 343,612	$ 323,956	$ 864,274	$ 819,586

An additional portion of the City's net position, 7.8% or $67.4 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* of 15.9% or $137.4 million, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The City implemented GASB Statement No. 101, *Compensated Absences* in fiscal year 2025 resulting in a restatement which decreased net position by $2,765,695 as of September 30, 2024. Because the restatement is the result of a change in accounting principle, the information for 2024 in the tables in the MD&A have not been restated in accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections* - an amendment of GASB Statement No. 62. See Note 1 V. for more information.

City of Sugar Land, Texas Change in Net Position

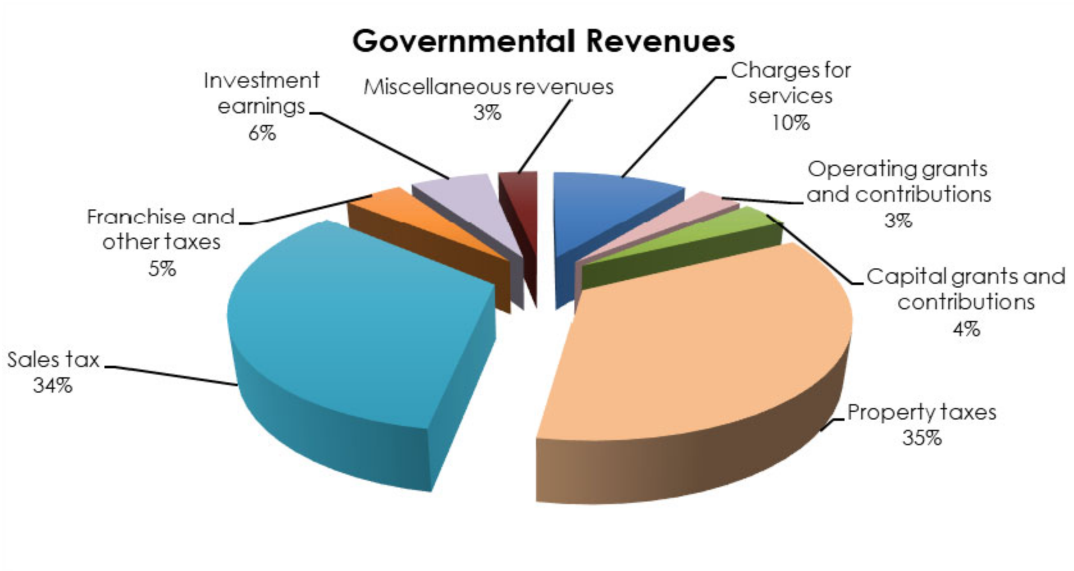
Amounts in (000's)

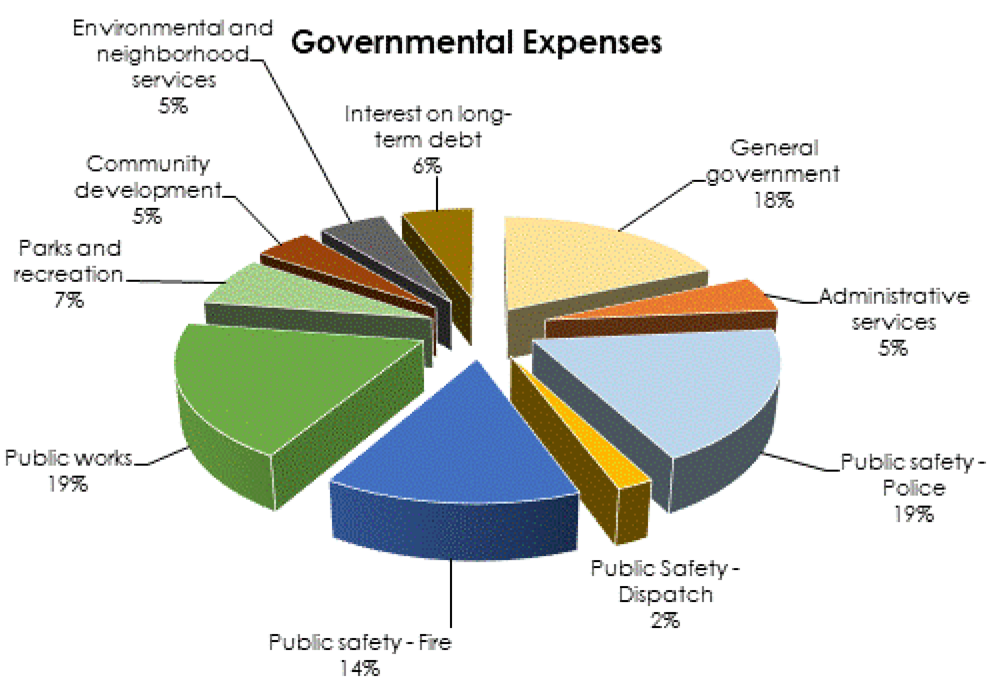
	Governmental Activities		Business-type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	$ 21,540	$ 18,277	$ 115,021	$ 104,648	$ 136,561	$ 122,925
Operating grants and contributions	7,141	8,194	145	100	7,286	8,294
Capital grants and contributions	7,658	19,103	2,149	8,803	9,807	27,906
General revenues:						
Property taxes	72,519	67,282	-	-	72,519	67,282
Sales tax	69,394	61,807	-	-	69,394	61,807
Franchise and other taxes	9,546	9,433	-	-	9,546	9,433
Investment earnings	12,590	13,243	8,007	8,323	20,597	21,566
Miscellaneous revenues	6,299	5,567	2,185	2,178	8,484	7,744
Total revenues	206,687	202,906	127,507	124,052	334,194	326,957
Expenses:						
General government	33,668	33,735	-	-	33,668	33,735
Administrative services	9,349	7,090	-	-	9,349	7,090
Public safety - Police	34,065	29,561	-	-	34,065	29,561
Public Safety - Dispatch	3,756	3,887	-	-	3,756	3,887
Public safety - Fire	25,959	23,545	-	-	25,959	23,545
Public works	34,544	33,645	-	-	34,544	33,645
Parks and recreation	12,693	11,053	-	-	12,693	11,053
Community development	8,356	6,914	-	-	8,356	6,914
Environmental and neighborhood services	9,737	10,930	-	-	9,737	10,930
Interest on long-term debt	10,476	8,445	-	-	10,476	8,445
Utility	-	-	68,435	65,911	68,435	65,911
Regional airport	-	-	24,091	23,870	24,091	23,870
Solid waste and stormwater	-	-	11,612	16,617	11,612	16,617
Total expenses	182,603	168,808	104,138	106,398	286,741	275,206
Increase (decrease) in net position before transfers	24,084	34,098	23,369	17,654	47,453	51,751
Transfers	3,276	3,620	(3,276)	(3,620)	-	-
Change in net position	27,360	37,768	20,093	13,984	47,453	51,751
Net position - beginning, as previously reported	495,630	457,862	323,957	309,973	819,587	767,835
Implementation of GASB Statement 101, *Compensated Absences*	(2,328)	-	(438)	-	(2,766)	-
Net position - beginning, as restated	493,302	457,862	323,519	309,973	816,821	767,835
Net position - ending	$ 520,662	$ 495,630	$ 343,612	$ 323,957	$ 864,274	$ 819,587

The City's net position increased by approximately $47.5 million in the fiscal year ended September 30, 2025, of which $27.4 million is attributable to governmental activities and $20.1 million is attributable to business-type activities. The following pages provide a more detailed discussion of the contributing factors behind these increases affecting the governmental and business-type activities.

Governmental Activities
Governmental activities net position remained stable with changes in revenues and expenses between years as follows:

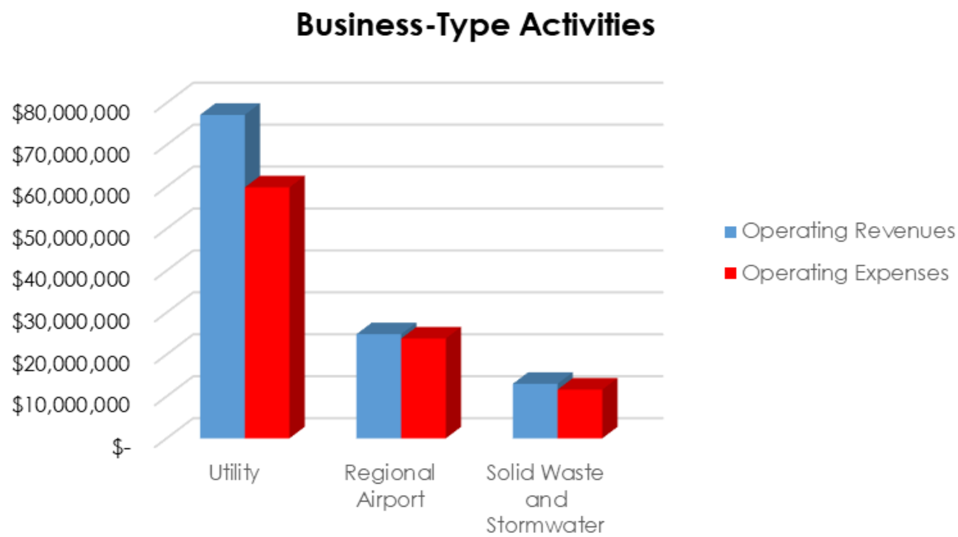
- Increased sales tax revenues as a result of economic recovery as well as increased property tax revenues driven by increased property values.
- Increased capital grants and contributions associated with land contribution to the City
- Investment earnings increased due to increased cash balances over last year.
- Increased expenditures driven primarily by increases in cost of employee compensation and benefits.





Business-type Activities
Business-type activities increased the City's net position by $20.1 million in 2025, approximately $6 million more than 2024. Key elements of this increase are as follows:

- Increased charges for service.
- Decreased expenditures primarily due to nonrecurring transfers related to debris removal contracts in the prior year.



Financial Analysis of the City's Funds

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds - The focus of the City's governmental funds is to provide information of near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements, in particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $264.8 million, an increase of $38.1 million over the prior year. Approximately 21% of this total amount, $55.5 million, is *available for spending* at the government's discretion (*unassigned fund balance*).

Fund balance in the General Fund increased from the prior year by $1.7 million, resulting in an ending fund balance of $57.2 million at year end. The unassigned fund balance of $55.5 million represents 39.9% of total fund expenditures. The increase in fund balance primarily results from increased property and sales tax revenues and intergovernmental revenue. The factors contributing to these changes are addressed in the discussion of the City's governmental activities on the previous page.

The Debt Service Fund has a total fund balance of $16.9 million at year end, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year in the Debt Service Fund was $2.2 million, due primarily to the increase in property tax revenues compared to the previous year. The factors contributing to these changes are addressed in the discussion of the City's governmental activities on the previous page.

The Capital Projects Fund has a total fund balance of $147.7 million at year end, all of which is restricted or assigned for capital projects. The net increase in fund balance during the current year in the Capital Projects Fund was $30.5 million, due primarily to the proceeds from issuance of bonds. Major expenditures include capital outlay related to construction projects including various improvements to streets, parks and facilities.

Proprietary Funds – The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The Utility Fund has unrestricted net position at fiscal year-end of $76.2 million and the Airport Fund's unrestricted net position amounts to approximately $14.0 million. Other factors concerning the finances of the City's Proprietary Funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Budget estimates for revenues between the original and final amended budget changed by $9.0 million due primarily to increases in estimated sales tax revenues related to the strong economy in the area.

During the year there was a net increase between the original and final amended budget expenditure appropriations of $7.3 million due to budgetary increases in personnel and facility repair and maintenance expenditures.

There were no significant differences between final amended expenditures and actual expenditures in fiscal year 2025. The review of the final amended budget versus the actual for the General Fund reflected a positive budget variance in the amount of $8.2 million.

Capital Assets and Debt Administration

Capital Assets

At the end of the current fiscal year 2025, the City's governmental activities and business-type activities had invested $654.9 million and $402.1 million, respectively, in a variety of capital assets and infrastructure, as reflected in the following schedule. This represents a net increase of $44.1 million or 7.2% over the end of last fiscal year for governmental activities and a decrease of $5.5 million or 1.3% for business-type activities.

City of Sugar Land, Texas Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total Primary Government	
Amounts in (000's)	2025	2024	2025	2024	2025	2024
Land and intangibles	$ 156,482	$ 127,413	$ 36,154	$ 36,160	$ 192,636	$ 163,573
Construction in progress	59,980	39,590	31,630	56,448	91,610	96,038
Infrastructure	244,328	251,413	313,627	294,628	557,955	546,041
Buildings and improvements	161,409	164,603	15,687	16,520	177,096	181,123
Equipment and furniture	21,838	21,870	4,615	3,808	26,453	25,678
Right-to-use leased equipment	5,676	837	-	-	5,676	837
Subscription assets	5,224	5,152	390	-	5,614	5,152
Totals	$ 654,937	$ 610,878	$ 402,103	$ 407,564	$ 1,057,040	$ 1,018,442

The overall increase in capital assets for governmental activities is due primarily to the continuation of construction in progress and the acquisition of land.

Additional information on the City's capital assets can be found in Note 4 to the financial statements.

Long-Term Debt

At the end of the current fiscal year, the City had net outstanding bonds payable of $653.9 million. Of this amount, $198.2 million was general obligation debt and $222.3 million represents bonds secured solely by specified revenue sources (i.e. revenue bonds). Certificates of obligation account for $191.2 million. The City's other long-term liabilities include its pension and other post employments benefits of $39.9 million and compensated absences and other items of $21.5 million.

City of Sugar Land, Texas Long-term Liabilities Outstanding

	Governmental Activities		Business-type Activities		Total Primary Government	
Amounts in (000's)	2025	2024	2025	2024	2025	2024
General obligation bonds	$ 131,420	$ 119,673	$ 66,775	$ 70,342	$ 198,195	$ 190,015
Revenue bonds	31,575	33,975	190,750	136,995	222,325	170,970
Certificates of obligation	180,540	141,495	10,665	11,375	191,205	152,870
Premiums or discounts	20,818	19,451	21,385	19,411	42,203	38,862
Total bonds payable, net	364,353	314,594	289,575	238,123	653,928	552,717
Pension and other post employment benefits	34,698	38,481	5,214	5,435	39,912	43,916
Compensated absences and other	18,624	11,850	2,898	899	21,522	12,749
Total	$ 417,675	$ 364,925	$ 297,687	$ 244,457	$ 715,362	$ 609,382

The most recent ratings on debt issues are as follows:

	Standard and Poor's	Fitch Investors Service
General obligation bonds	AAA	AAA
Revenue bonds	AA	AA

Both the Sugar Land Development Corporation (SLDC) and the Sugar Land 4B (SL4B) Corporation, component units of the City, have issued debt. SLDC bonds are rated "A1" and "A+" from Moody's and Standard & Poor's, respectively. SL4B bonds are rated "Aa3" and "A+" from Moody's and Standard & Poor's, respectively.

Additional information on the City's long-term debt can be found in Note 5 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

During FY 2025 the City continues to experience strong economic growth. The City's General Fund total revenue was approximately 1.4% higher than the adopted budget and the overperformance was mainly contributed by the higher than anticipated sales tax revenue, licenses and permits, and charges for services. Sales tax revenue exceeded the FY 2025 adopted budget by 2.1% and it was 12% higher than the sales tax revenue in FY 2024. The August CIP declined to 1.1% at the end of August 2025 from the1.7% in August 2024 (Houston-The Woodland-Sugar Land metropolitan area all items). Although CPI has declined, the high inflation in prior years continues to affect prices of taxable goods. The average monthly federal funds effective rate was 4.4% during the 12 months in the fiscal year.

With a focus on conservative, resilient and responsible stewardship efforts to balance both operational and financial stability, the adopted budget ensures continued financial strength and resiliency by meeting all fund balance requirements. The City's Financial Management Policy Statements (FMPS) are the guiding principles of the City's financial management practices. The statements provide directions to City staff in managing the City's finances. Some policy statements are driven by state law or City Charter, while others are formally documented through policies and procedures.

2025 Property Taxes

Tax year 2025 is the fifth year for implementation of Senate Bill 2 from the 86th legislative session. This bill set limitations of 3.5 percent growth in operations and maintenance revenue from property taxes with mandatory elections if this rate is exceeded. Fortunately, there were no significant impacts to the City's property tax growth in the 88th legislative session, but the legislature continues to be a threat to the ability for this revenue to grow along with inflation.

The FY26 budget is funded by revenues based on the certified 2025 tax roll of $21.3 billion The city's tax rate continues to be one of the lowest in the state for cities over 100,000. The FY 2026 adopted tax rate is $0.358827/100; which is a 1.6% increase from the prior year's tax rate of $0.353210/100. Another tool available to the city to help limit the residential tax burden is the homestead exemption. The City maintained the 15% homestead exemption in FY 2026.

Fee and Rate Changes

After four years of implementation from a 2021 rate study, the utility system is in the maintenance phase of the plan. The 2026 recommended increase for utility rates will result in an approximate 3% increase per month for residential customers. This new rate allows the utility system to keep up with the cost of inflation to avoid large increases in the future.

The 2025 rate for residential solid waste services is $21.88 per household per month, and the rate will increase by 5% based on the cap on CPI increase under the contract. An additional $1 will be charged per month per customer to prepare for emergency debris recovery, this will make the new rate $23.97 per household per month effective January 1st, 2026.

In FY23 City Council adopted the Stormwater Compliance Fee to offset the cost of compliance with storm water mandates to reduce the discharge of pollutants into waters of the United States. The City's annual compliance efforts are a requirement of its Texas Pollutant Discharge Elimination System (TPDES) Permit. There are no planned increases to the rate structure in FY26. Staff continues to monitor the costs and needs related to these mandates.

The FMPS contains guidance on evaluating user fees for an annual CPI adjustment and for calculation of new fees. Based on this guidance, staff evaluated fees based on the 5-year average CPI for 2025. The recommendation for increases is 3.7%. The fee and rate adjustments will be effective January 1st, 2026.

Requests for Information

This financial report is designed to provide a general overview of the City of Sugar Land's finances for all those with an interest in the City's finances. Questions concerning this report or requests for additional financial information should be directed to Jing Xiao, Director of Finance, City Hall, 2700 Town Center Boulevard North, Sugar Land, TX 77479, telephone (281) 275-2745 or for general information, visit the City's website at www.sugarlandtx.gov.

Basic Financial Statements

City of Sugar Land, Texas
Statement of Net Position
September 30, 2025

	Primary Government Governmental Activities	Primary Government Business-type Activities	Primary Government Total	Discretely Presented Component Units
ASSETS				
Cash and cash equivalents	$ 46,874,104	$ 69,293,846	$ 116,167,950	$ 20,352,573
Investments	18,501,357	25,484,572	43,985,929	9,243,583
Receivables, net of allowance for uncollectibles	20,485,693	10,653,315	31,139,008	1,814,641
Lease receivable	28,873,701	12,840	28,886,541	1,353,262
Internal balances	(1,463,655)	1,463,655	-	-
Inventories	187,724	736,437	924,161	-
Prepaid items	182,533	96,788	279,321	19,972
Restricted cash and cash equivalents	209,734,682	136,121,383	345,856,065	2,092,278
Restricted investments	25,361,087	2,004,508	27,365,595	-
Capital assets:				
Capital assets not being depreciated/amortized	216,147,953	67,734,781	283,882,734	-
Capital assets being depreciated/amortized	438,788,840	334,368,583	773,157,423	-
Total assets	1,003,674,019	647,970,708	1,651,644,727	34,876,309
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	547,457	1,567,184	2,114,641	47,402
Deferred outflows relating to pension activities	15,438,280	2,154,556	17,592,836	-
Deferred outflows relating to OPEB activities	1,152,141	162,949	1,315,090	-
Total deferred outflows of resources	17,137,878	3,884,689	21,022,567	47,402
LIABILITIES				
Accounts payable and accrued expenses	15,235,381	5,268,609	20,503,990	165,289
Accrued interest	1,343,748	1,082,404	2,426,152	76,132
Customer deposits	58,664	3,260,327	3,318,991	-
Unearned revenue	29,691,279	-	29,691,279	-
Noncurrent liabilities:				
Non-current liabilities due within one year	34,717,890	18,562,781	53,280,671	1,160,000
Due in more than one year	382,957,078	279,124,668	662,081,746	16,746,161
Total liabilities	464,004,040	307,298,789	771,302,829	18,147,582
DEFERRED INFLOWS OF RESOURCES				
Deferred gain on refunding	453,909	-	453,909	-
Deferred inflows relating to leases	29,389,697	10,551	29,400,248	1,331,153
Deferred inflows relating to pension activities	4,213,348	631,761	4,845,109	-
Deferred inflows relating to OPEB activities	2,089,050	302,152	2,391,202	-
Total deferred inflows of resources	36,146,004	944,464	37,090,468	1,331,153
NET POSITION				
Net investment in capital assets	420,817,102	238,724,567	659,541,669	-
Restricted for:				
Debt service	24,792,852	9,195,609	33,988,461	2,016,146
General government	32,734	-	32,734	-
Economic development activities	27,350,891	-	27,350,891	11,431,191
Public safety	1,554,257	-	1,554,257	-
Tourism and marketing	4,214,507	-	4,214,507	-
Environmental and neighborhood services	210,880	-	210,880	-
Unrestricted	41,688,630	95,691,968	137,380,598	1,997,639
TOTAL NET POSITION	$ 520,661,853	$ 343,612,144	$ 864,273,997	$ 15,444,976

The Notes to Financial Statements are an integral part of this statement.

City of Sugar Land, Texas
Statement of Activities
For the Fiscal Year Ended September 30, 2025

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities:				
General government	$ 33,668,079	$ 68,984	$ 2,186,372	$ 82,453
Administrative services	9,348,463	7,385,868	1,978,815	-
Public safety - Police	34,065,090	1,274,260	422,651	-
Public Safety - Dispatch	3,756,015	-	-	-
Public safety - Fire	25,958,848	6,172,543	210,314	-
Public works	34,543,661	124,952	2,196,457	6,047,870
Parks and recreation	12,693,109	701,828	118,876	1,527,738
Community development	8,355,913	5,000,557	-	-
Environmental and neighborhood services	9,737,456	811,399	27,989	-
Interest on long-term debt	10,476,254	-	-	-
Total governmental activities	182,602,888	21,540,391	7,141,474	7,658,061
Business-type activities:				
Utility	68,435,181	77,164,509	-	527,044
Regional airport	24,091,268	24,843,985	145,500	1,621,856
Solid waste and stormwater	11,612,387	13,012,511	-	-
Total business-type activities	104,138,836	115,021,005	145,500	2,148,900
TOTAL PRIMARY GOVERNMENT	$ 286,741,724	$ 136,561,396	$ 7,286,974	$ 9,806,961
COMPONENT UNITS				
Sugar Land 4B Corporation	$ 12,885,178	$ -	$ 71,414	$ -
Sugar Land Town Square Tax Increment Reinvestment Zone No. 1	919,428	-	-	-
Sugar Land Reinvestment Zone No. 3	1,933,503	-	-	-
Sugar Land Reinvestment Zone No. 4	16,433	-	-	-
TOTAL COMPONENT UNITS	$ 15,754,542	$ -	$ 71,414	$ -

General revenues:
Property taxes
Sales tax
Franchise and other taxes
Investment earnings
Miscellaneous revenues
Transfers

Total general revenues and transfers

Change in net position

Net position - beginning, as previously reported
Implementation of GASB Statement 101, *Compensated Absences*

Net position - beginning, as restated

NET POSITION - ENDING

The Notes to Financial Statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (31,330,270)		$ (31,330,270)	
16,220		16,220	
(32,368,179)		(32,368,179)	
(3,756,015)		(3,756,015)	
(19,575,991)		(19,575,991)	
(26,174,382)		(26,174,382)	
(10,344,667)		(10,344,667)	
(3,355,356)		(3,355,356)	
(8,898,068)		(8,898,068)	
(10,476,254)		(10,476,254)	
(146,262,962)		(146,262,962)	
	$ 9,256,372	$ 9,256,372	
	2,520,073	2,520,073	
	1,400,124	1,400,124	
	13,176,569	13,176,569	
$ (146,262,962)	$ 13,176,569	$ (133,086,393)	
			$ (12,813,764)
			(919,428)
			(1,933,503)
			(16,433)
			$ (15,683,128)
$ 72,519,131	$ -	$ 72,519,131	$ 4,369,985
69,393,687	-	69,393,687	9,915,872
9,545,614	-	9,545,614	-
12,589,833	8,007,285	20,597,118	1,532,837
6,298,771	2,185,356	8,484,127	88,313
3,276,121	(3,276,121)	-	-
173,623,157	6,916,520	180,539,677	15,907,007
27,360,195	20,093,089	47,453,284	223,879
495,629,796	323,956,612	819,586,408	15,221,097
(2,328,138)	(437,557)	(2,765,695)	-
493,301,658	323,519,055	816,820,713	15,221,097
$ 520,661,853	$ 343,612,144	$ 864,273,997	$ 15,444,976

City of Sugar Land, Texas
Balance Sheet – Governmental Funds
September 30, 2025

	General Fund	Debt Service Fund
ASSETS		
Cash and cash equivalents	$ 34,622,480	$ 231,686
Investments	17,503,941	-
Receivables, net of allowance for uncollectibles	14,448,354	780,115
Lease receivable	129,994	28,743,707
Inventories	178,224	-
Prepaid items	132,985	-
Restricted cash and cash equivalents	46,837	7,693,731
Restricted investments	-	9,367,661
TOTAL ASSETS	$ 67,062,815	$ 46,816,900
LIABILITIES		
Accounts payable	$ 2,507,235	$ 4,900
Accrued expenditures	3,933,617	-
Customer deposits	58,664	-
Unearned revenue	-	-
Total liabilities	6,499,516	4,900
DEFERRED INFLOWS OF RESOURCES:		
Unavailable revenue	3,260,309	591,790
Deferred inflows relating to leases	124,840	29,264,857
Total deferred inflows of resources	3,385,149	29,856,647
FUND BALANCES		
Nonspendable:		
Inventories	178,224	-
Prepaid items	132,985	-
Restricted for:		
General government	-	-
Debt service	-	16,955,353
Capital projects	-	-
Economic development activities	-	-
Public safety	-	-
Tourism and marketing	-	-
Environmental and neighborhood services	-	-
Committed	938,693	-
Assigned	477,845	-
Unassigned	55,450,403	-
Total fund balances	57,178,150	16,955,353
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 67,062,815	$ 46,816,900

The Notes to Financial Statements are an integral part of this statement.

	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
	$ 3,663,203	$ 1,311,216	$ 39,828,585
	-	-	17,503,941
	2,328,279	2,706,882	20,263,630
	-	-	28,873,701
	-	9,500	187,724
	-	18,940	151,925
	174,030,214	27,963,900	209,734,682
	2,013,930	13,979,496	25,361,087
	$ 182,035,626	$ 45,989,934	$ 341,905,275
	$ 6,724,903	$ 884,573	$ 10,121,611
	-	13,607	3,947,224
	-	-	58,664
	27,560,844	2,130,435	29,691,279
	34,285,747	3,028,615	43,818,778
	-	30,782	3,882,881
	-	-	29,389,697
	-	30,782	33,272,578
	-	9,500	187,724
	-	18,940	151,925
	-	32,734	32,734
	-	8,589,457	25,544,810
	138,557,811	-	138,557,811
	-	27,350,891	27,350,891
	-	1,554,257	1,554,257
	-	4,214,507	4,214,507
	-	210,880	210,880
	-	-	938,693
	9,192,068	949,371	10,619,284
	-	-	55,450,403
	147,749,879	42,930,537	264,813,919
	$ 182,035,626	$ 45,989,934	$ 341,905,275

City of Sugar Land, Texas
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
September 30, 2025

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		$ 264,813,919
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position. The cost of the assets is $1,199,510,518 and the accumulated depreciation/amortization is $552,949,943.		646,560,575
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.		3,882,881
Deferred amounts on refunding are amortized over the shorter of the life of the refunded or refunding debt. These items are not reported in the fund financial statements, but are included in the governmental activities of the Statement of Net Position.		
Deferred charge on refunding	$ 547,457	
Deferred gain on refunding	(453,909)	93,548
Long-term liabilities that are not due and payable in the current period are not reported in the funds.		
Debt payable, at maturity	$ (343,535,001)	
Accrued interest on the bonds	(1,343,282)	
Premium/discount on bonds payable	(20,818,116)	
Arbitrage rebate liability	(1,699,864)	
Compensated absences	(10,069,602)	
Sales tax obligation	(64,131)	
Leases	(2,570,289)	
Subscription liabilities	(4,126,956)	
Net pension liability	(26,979,597)	
Total OPEB liability	(7,718,085)	(418,924,923)
Deferred outflows and deferred inflows relating to pension and OPEB activities are amortized over the expected remaining service lives of all employees that are provided with pensions through the pension and OPEB plans. These items are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position.		
Deferred outflows and deferred inflows - pension	$ 11,224,932	
Deferred outflows and deferred inflows - OPEB	(936,909)	10,288,023
The assets and liabilities of the internal service funds are not included in the governmental fund financial statements, but are included in the governmental activities of the Statement of Net Position.		13,947,830
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 520,661,853

The Notes to Financial Statements are an integral part of this statement.

City of Sugar Land, Texas

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended September 30, 2025

	General Fund	Debt Service Fund
REVENUES		
Property taxes	$ 42,848,758	$ 29,471,309
Sales tax	59,480,303	-
Franchise and other taxes	6,393,030	-
Licenses and permits	5,792,146	-
Fines and forfeitures	1,133,040	-
Charges for services	13,699,283	-
Investment earnings	2,693,234	908,216
Intergovernmental	2,253,710	-
Other	2,273,630	1,690,628
Total revenues	136,567,134	32,070,153
EXPENDITURES		
Current:		
General government	31,418,670	-
Administrative services	6,039,187	2,255,378
Public safety - Police	32,783,346	-
Public safety - Dispatch	3,696,949	-
Public safety - Fire	26,021,856	-
Public works	12,677,054	-
Parks and recreation	7,009,514	-
Community development	7,290,805	-
Environmental and neighborhood services	9,192,836	-
Debt service:		
Principal	2,795,019	23,898,243
Interest and other charges	177,609	8,457,222
Bond issuance costs	-	43,650
Capital outlay	-	-
Total expenditures	139,102,845	34,654,493
Excess (deficiency) of revenues over (under) expenditures	(2,535,711)	(2,584,340)
OTHER FINANCING SOURCES (USES)		
Bonds and certificates of obligation issued	-	-
Premium on debt issued	-	5,530
Leases - other financing source	2,437,520	-
Subscriptions - other financing source	1,901,261	-
Transfers in	309,000	5,010,163
Transfers out	(388,138)	(257,634)
Total other financing sources (uses)	4,259,643	4,758,059
Net change in fund balances	1,723,932	2,173,719
Fund balances, beginning of year	55,454,218	14,781,634
FUND BALANCES, END OF YEAR	$ 57,178,150	$ 16,955,353

The Notes to Financial Statements are an integral part of this statement.

Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ -	$ 72,320,067
-	9,913,384	69,393,687
-	3,191,022	9,584,052
-	-	5,792,146
-	106,146	1,239,186
-	-	13,699,283
6,827,510	1,881,403	12,310,363
-	2,932,181	5,185,891
8,299,953	1,239,205	13,503,416
15,127,463	19,263,341	203,028,091
1,600	5,446,159	36,866,429
-	1,190,729	9,485,294
-	251,796	33,035,142
-	-	3,696,949
-	42,992	26,064,848
2,854,091	27,520	15,558,665
36,191	-	7,045,705
-	-	7,290,805
-	725,670	9,918,506
-	2,442,636	29,135,898
-	1,489,665	10,124,496
734,127	1,500	779,277
59,150,274	2,612,914	61,763,188
62,776,283	14,231,581	250,765,202
(47,648,820)	5,031,760	(47,737,111)
74,690,000	-	74,690,000
3,494,126	-	3,499,656
-	-	2,437,520
-	-	1,901,261
-	130,330	5,449,493
-	(1,527,600)	(2,173,372)
78,184,126	(1,397,270)	85,804,558
30,535,306	3,634,490	38,067,447
117,214,573	39,296,047	226,746,472
$ 147,749,879	$ 42,930,537	$ 264,813,919

City of Sugar Land, Texas
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended September 30, 2025

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		$ 38,067,447
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation or amortization expense for the period.		
Depreciation/amortization expense	$ (24,792,264)	
Leases - other financing source	2,437,519	
Subscriptions - other financing source	1,901,261	
Capital outlay	61,118,506	40,665,022
Donated infrastructure does not represent current assets, and therefore is not recognized as revenue in governmental fund financials. The total amount is, however, reflected in the Statement of Activities as program revenue.		2,274,309
Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the amount of the difference between the proceeds and gain or loss.		(11,100)
Governmental funds do not recognize revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.		883,389
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds.		
Par value of debt issued	$ (74,690,000)	
Premium on debt issued	(3,499,656)	
Leases	(2,437,520)	
Subscription liabilities	(1,901,261)	
Principal repayments	29,135,898	
Repayment of obligation to state	19,721	(53,372,818)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Amortization of bond premiums and deferred amounts on refunding	$ 2,028,937	
Change in accrued interest on long-term debt	83,800	
Change in arbitrage	(1,699,864)	
Compensated absences	(1,171,772)	
Changes in pension liabilities and related deferred outflows and inflows of resources	(1,012,336)	
Changes in OPEB liabilities and related deferred outflows and inflows of resources	(638,100)	(2,409,335)
Internal service funds are used by management to charge the costs of certain activities to individual funds. A portion of the net revenue (expense) of the internal service funds is reported with governmental activities.		1,263,281
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 27,360,195

The Notes to Financial Statements are an integral part of this statement.

City of Sugar Land, Texas
Statement of Net Position
Proprietary Funds
September 30, 2025

	Business-Type Activities - Enterprise Funds				Governmental Activities
	Major Funds				
	Utility Fund	Airport Fund	Nonmajor Funds	Total	Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents	$ 56,621,874	$ 8,888,075	$ 3,783,897	$ 69,293,846	$ 6,286,519
Cash with fiscal agent	-	-	-	-	759,000
Investments	18,744,332	6,740,240	-	25,484,572	997,416
Receivables, net of allowance for uncollectibles	8,290,585	834,148	1,528,582	10,653,315	222,063
Lease receivable	-	12,840	-	12,840	-
Inventories	541,889	194,548	-	736,437	-
Prepaid items	23,018	73,570	200	96,788	30,608
Restricted cash and cash equivalents	135,149,148	972,235	-	136,121,383	-
Restricted investments	2,004,508	-	-	2,004,508	-
Total current assets	221,375,354	17,715,656	5,312,679	244,403,689	8,295,606
Noncurrent assets:					
Capital assets					
Capital assets not being depreciated/amortized	43,427,868	24,306,913	-	67,734,781	-
Capital assets being depreciated/amortized	265,476,705	68,643,816	248,062	334,368,583	8,376,218
Total capital assets (net of accumulated depreciation)	308,904,573	92,950,729	248,062	402,103,364	8,376,218
Total noncurrent assets	308,904,573	92,950,729	248,062	402,103,364	8,376,218
Total assets	530,279,927	110,666,385	5,560,741	646,507,053	16,671,824
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	1,531,547	35,637	-	1,567,184	-
Deferred outflows relating to pension activities	1,395,385	648,081	111,090	2,154,556	-
Deferred outflows relating to OPEB activities	105,152	48,646	9,151	162,949	-
Total deferred outflows of resources	3,032,084	732,364	120,241	3,884,689	-
LIABILITIES					
Current liabilities:					
Accounts payable and accrued expenses	3,436,155	916,687	915,767	5,268,609	515,463
Accrued interest	1,024,668	57,736	-	1,082,404	466
Customer deposits	3,125,805	134,522	-	3,260,327	-
Claims and judgments	-	-	-	-	651,083
Noncurrent liabilities due within one year	17,194,439	1,295,453	72,889	18,562,781	46,037
Total current liabilities	24,781,067	2,404,398	988,656	28,174,121	1,213,049
Noncurrent liabilities:					
Due in more than one year	262,850,525	11,021,346	39,246	273,911,117	-
Net pension liability	2,677,683	1,195,649	246,417	4,119,749	47,290
Total OPEB liability	705,106	326,077	62,619	1,093,802	-
Total noncurrent liabilities	266,233,314	12,543,072	348,282	279,124,668	47,290
Total liabilities	291,014,381	14,947,470	1,336,938	307,298,789	1,260,339
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows relating to leases	-	10,551	-	10,551	-
Deferred inflows relating to pension activities	409,445	184,445	37,871	631,761	-
Deferred inflows relating to OPEB activities	195,573	89,489	17,090	302,152	-
Total deferred inflows of resources	605,018	284,485	54,961	944,464	-
NET POSITION					
Net investment in capital assets	157,244,404	81,232,101	248,062	238,724,567	8,376,218
Restricted:					
Debt service	8,286,290	909,319	-	9,195,609	-
Unrestricted	76,161,918	14,025,374	4,041,021	94,228,313	7,035,267
TOTAL NET POSITION	$ 241,692,612	$ 96,166,794	$ 4,289,083	$ 342,148,489	$ 15,411,485

Reconciliation to the government-wide statement of net position:

Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time	1,463,655
Net position of business-type activities	$ 343,612,144

The Notes to Financial Statements are an integral part of this statement.

City of Sugar Land, Texas
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds
For the Fiscal Year Ended September 30, 2025

	Business-Type Activities - Enterprise Funds				Governmental Activities
	Major Funds				
	Utility Fund	Airport Fund	Nonmajor Funds	Total	Internal Service Funds
OPERATING REVENUES					
Charges for services	$ 77,164,509	$ 24,843,985	$ 13,012,511	$ 115,021,005	$ 20,078,597
Total operating revenues	77,164,509	24,843,985	13,012,511	115,021,005	20,078,597
OPERATING EXPENSES					
Personnel services	11,030,397	4,702,747	1,140,355	16,873,499	-
Supplies and materials	810,662	12,200,384	104,125	13,115,171	995,428
Contractual services	16,072,480	1,971,567	9,587,137	27,631,184	112,307
Repairs and maintenance	11,921,426	538,482	635,201	13,095,109	7,515
Other expenses	2,285,153	582,500	115,144	2,982,797	16,146,945
Depreciation	17,744,211	3,743,832	33,728	21,521,771	1,920,864
Total operating expenses	59,864,329	23,739,512	11,615,690	95,219,531	19,183,059
Operating income (loss)	17,300,180	1,104,473	1,396,821	19,801,474	895,538
NONOPERATING REVENUES (EXPENSES)					
Interest and investment revenue	7,253,179	613,144	140,962	8,007,285	279,470
Miscellaneous revenue	1,745,464	405,074	11,252	2,161,790	-
Intergovernmental	-	100,000	45,500	145,500	-
Gain (loss) on disposal of capital assets	16,428	7,138	-	23,566	221,703
Interest expense	(8,660,117)	(391,564)	-	(9,051,681)	(1,054)
Total nonoperating revenues (expenses)	354,954	733,792	197,714	1,286,460	500,119
Income (loss) before capital contributions and transfers	17,655,134	1,838,265	1,594,535	21,087,934	1,395,657
Capital contributions	527,044	1,621,856	-	2,148,900	-
Transfers in	34,531	565,442	-	599,973	-
Transfers out	(3,567,094)	-	(309,000)	(3,876,094)	-
Change in net position	14,649,615	4,025,563	1,285,535	19,960,713	1,395,657
Net position - beginning, as previously reported	227,323,461	92,265,113	3,036,759	322,625,333	14,015,828
Implementation of GASB Statement 101, Compensated Absences	(280,464)	(123,882)	(33,211)	(437,557)	-
Net position - beginning, as restated	227,042,997	92,141,231	3,003,548	322,187,776	14,015,828
NET POSITION, ENDING	$ 241,692,612	$ 96,166,794	$ 4,289,083	$ 342,148,489	$ 15,411,485

Reconciliation to the government-wide statement of activities:	
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds	132,376
Change in net position of business-type activities	$ 20,093,089

The Notes to Financial Statements are an integral part of this statement.

City of Sugar Land, Texas
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2025

	Business-Type Activities - Enterprise Funds				Governmental Activities
	Major Funds				
	Utility Fund	Airport Fund	Nonmajor Funds	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	$ 78,327,636	$ 24,524,630	$ 12,938,167	$ 115,790,433	$ -
Receipts from interfund charges for services			-	-	19,911,963
Other receipts (disbursements)	1,745,464	405,074	11,252	2,161,790	-
Disbursed for personnel services	(10,621,527)	(4,565,076)	(1,077,741)	(16,264,344)	-
Disbursed for goods and services	(32,440,934)	(15,242,002)	(14,832,937)	(62,515,873)	(16,965,026)
Net cash provided (used) by operating activities	37,010,639	5,122,626	(2,961,259)	39,172,006	2,946,937
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	34,531	565,442	-	599,973	-
Transfers to other funds	(3,567,094)	-	(309,000)	(3,876,094)	-
Operating grants and contributions	-	100,000	-	100,000	-
Net cash provided (used) by noncapital financing activities	(3,532,563)	665,442	(309,000)	(3,176,121)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from the sale of bonds	64,545,000	-	-	64,545,000	-
Interest payments on debt	(5,667,377)	(482,485)	-	(6,149,862)	(588)
Principal payments on debt	(13,683,666)	(1,483,095)	-	(15,166,761)	(47,991)
Acquisition and construction of capital assets	(12,953,825)	(369,319)	(124,930)	(13,448,074)	(2,971,835)
Proceeds from sale of capital assets	16,428	7,138	45,500	69,066	283,637
Net cash provided (used) by capital and related financing activities	32,256,560	(2,327,761)	(79,430)	29,849,369	(2,736,777)
CASH FLOWS FROM INVESTING ACTIVITIES					
Sale (purchase) of investments, net	7,745,866	(3,247,999)	-	4,497,867	247,999
Interest received	7,253,429	612,981	140,962	8,007,372	285,936
Net cash provided (used) by investing activities	14,999,295	(2,635,018)	140,962	12,505,239	533,935
Net increase (decrease) in cash and cash equivalents	80,733,931	825,289	(3,208,727)	78,350,493	744,095
Cash and cash equivalents, beginning balance	111,037,091	9,035,021	6,992,624	127,064,736	6,301,424
CASH AND CASH EQUIVALENTS, ENDING BALANCE	$ 191,771,022	$ 9,860,310	$ 3,783,897	$ 205,415,229	$ 7,045,519
Unrestricted cash and equivalents	$ 56,621,874	$ 8,888,075	$ 3,783,897	$ 69,293,846	$ 7,045,519
Restricted cash and equivalents	135,149,148	972,235	-	136,121,383	-
	$ 191,771,022	$ 9,860,310	$ 3,783,897	$ 205,415,229	$ 7,045,519

The Notes to Financial Statements are an integral part of this statement.

City of Sugar Land, Texas

Statement of Cash Flows – Continued
Proprietary Funds
For the Fiscal Year Ended September 30, 2025

	Business-Type Activities - Enterprise Funds				Governmental Activities
	Major Funds				
	Utility Fund	Airport Fund	Nonmajor Funds	Total	Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	$ 17,300,180	$ 1,104,473	$ 1,396,821	$ 19,801,474	$ 895,538
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:					
Depreciation and amortization	17,744,211	3,743,832	33,728	21,521,771	1,920,864
Other receipts (disbursements) for nonoperating revenue (expense)	1,745,464	405,074	11,252	2,161,790	-
Changes in assets, liabilities and related deferrals:					
(Increase) decrease in assets and deferred outflows:					
Receivables, net of allowance for uncollectibles	1,078,928	(330,126)	(74,344)	674,458	(166,634)
Lease receivable, net of related deferred inflow	-	234	-	234	-
Inventories	(274,188)	(28,017)	-	(302,205)	-
Prepaid items	19,915	(70,603)	425	(50,263)	320,697
Deferred outflows - net pension liability	169,956	75,889	15,641	261,486	-
Deferred outflows - OPEB	788	352	73	1,213	-
Increase (decrease) in liabilities and deferred inflows:					
Accounts payable and accrued expenses	(1,096,940)	149,551	(4,391,755)	(5,339,144)	(94,367)
Customer deposits	84,199	10,537	-	94,736	-
Claims and judgments	-	-	-	-	70,839
Net pension liability	(132,596)	(104,105)	12,785	(223,916)	-
OPEB liability	2,191	978	202	3,371	-
Deferred inflows - net pension liability	308,180	137,609	28,360	474,149	-
Deferred inflows - OPEB	60,351	26,948	5,553	92,852	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 37,010,639	$ 5,122,626	$ (2,961,259)	$ 39,172,006	$ 2,946,937
SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital asset purchases on account (accrued but not paid)	$ 285,078	$ -	$ -	$ 285,078	$ -
Capital assets contributed to City	527,044	1,621,856	-	2,148,900	-
Capital assets acquisitions under subscriptions (SBITAs)	329,144	154,015	-	483,159	141,318

The Notes to Financial Statements are an integral part of this statement.

City of Sugar Land, Texas

Combining Statement of Net Position
Discretely Presented Component Units – Governmental Activities
September 30, 2025

	Sugar Land 4B Corporation	Sugar Land Town Square Tax Increment Reinvestment Zone No. 1	Sugar Land Reinvestment Zone No. 3	Sugar Land Reinvestment Zone No. 4	Total Component Units
ASSETS					
Current assets:					
Cash and cash equivalents	$ 8,908,054	$ 65,155	$ 58,117	$ 11,321,247	$ 20,352,573
Investments	9,243,583	-	-	-	9,243,583
Receivables, net of allowance for uncollectibles	1,764,235	-	30,277	20,129	1,814,641
Lease receivable	1,353,262	-	-	-	1,353,262
Prepaid items	19,972	-	-	-	19,972
Restricted cash and cash equivalents	2,092,278	-	-	-	2,092,278
Total assets	23,381,384	65,155	88,394	11,341,376	34,876,309
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	47,402	-	-	-	47,402
Total deferred outflows of resources	47,402	-	-	-	47,402
LIABILITIES					
Current liabilities:					
Accounts payable and accrued expenses	101,555	-	63,734	-	165,289
Accrued interest	76,132	-	-	-	76,132
Noncurrent liabilities due within one year	1,160,000	-	-	-	1,160,000
Total current liabilities	1,337,687	-	63,734	-	1,401,421
Noncurrent liabilities:					
Due in more than one year	16,746,161	-	-	-	16,746,161
Total noncurrent liabilities	16,746,161	-	-	-	16,746,161
Total liabilities	18,083,848	-	63,734	-	18,147,582
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows relating to leases	1,331,153	-	-	-	1,331,153
Total deferred inflows of resources	1,331,153	-	-	-	1,331,153
NET POSITION					
Restricted for:					
Debt service	2,016,146	-	-	-	2,016,146
Economic development activities	-	65,155	24,660	11,341,376	11,431,191
Unrestricted	1,997,639	-	-	-	1,997,639
TOTAL NET POSITION	$ 4,013,785	$ 65,155	$ 24,660	$ 11,341,376	$ 15,444,976

The Notes to Financial Statements are an integral part of this statement.

City of Sugar Land, Texas

Combining Statement of Activities
Discretely Presented Component Units – Governmental Activities
For the Fiscal Year Ended September 30, 2025

		Program Revenues	Net (Expense) Revenue and Changes in Net Position				
Functions/Programs	Expenses	Operating Grants and Contributions	Sugar Land 4B Corporation	Sugar Land Town Square Tax Increment Reinvestment Zone No. 1	Sugar Land Reinvestment Zone No. 3	Sugar Land Reinvestment Zone No. 4	Totals
Component Units							
Sugar Land 4B Corporation	$ 12,885,178	$ 71,414	$ (12,813,764)	$ -	$ -	$ -	$ (12,813,764)
Sugar Land Town Square Tax Increment Reinvestment Zone No. 1	919,428	-	-	(919,428)	-	-	(919,428)
Sugar Land Reinvestment Zone No. 3	1,933,503	-	-	-	(1,933,503)	-	(1,933,503)
Sugar Land Reinvestment Zone No. 4	16,433	-	-	-	-	(16,433)	(16,433)
	$ 15,754,542	$ 71,414	(12,813,764)	(919,428)	(1,933,503)	(16,433)	(15,683,128)
General revenues							
Taxes:							
Property taxes			-	963,875	1,950,617	1,455,493	4,369,985
Sales tax			9,915,872	-	-	-	9,915,872
Unrestricted investment earnings			1,055,959	17,716	6,258	452,904	1,532,837
Miscellaneous			88,313	-	-	-	88,313
Total general revenues			11,060,144	981,591	1,956,875	1,908,397	15,907,007
Change in net position			(1,753,620)	62,163	23,372	1,891,964	223,879
Net position, beginning			5,767,405	2,992	1,288	9,449,412	15,221,097
NET POSITION, ENDING			$ 4,013,785	$ 65,155	$ 24,660	$ 11,341,376	$ 15,444,976

The Notes to Financial Statements are an integral part of this statement.

Note 1. Summary of Significant Accounting Policies

The City of Sugar Land, Texas, (the "City") was incorporated in 1959 and adopted a "Home Rule Charter" in November 1980. The Charter, as amended, provides for a Council-Manager form of government. The City Council is composed of a mayor and six council members, two of which are elected at large and four of which are elected by District, each serving three-year terms. The Mayor and council members can serve no more than three terms in any consecutive nine-year period.

The Mayor presides at council meetings and is entitled to vote on all matters considered by council. All powers of the City are vested in the council. Such powers include: appointment of the City Manager, boards, and commissions; adoption of the budget; authorization of bond issues; and adoption of ordinances and resolutions as deemed necessary, desirable, and beneficial to the City.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles ("GAAP")). The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's significant accounting policies are described below.

A. Financial Reporting Entity

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As a primary government, the City's activities are not considered a part of any other governmental or other type of reporting entity.

As required by GAAP, these financial statements have been prepared based on considerations regarding the potential for inclusion of component units, which are other legal entities or organizations that are financially accountable to the City. Blended component units, although legally separate entities, are, in substance, part of the government's operations, and as a result, data from these units are reported as funds of the City and are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize that they are both legally and substantively separate from the primary government.

The following component units are included in the City's reporting entity.

Blended Component Unit:

Sugar Land Development Corporation
The Sugar Land Development Corporation (the "Corporation") has been included in the reporting entity as a blended component unit. In 1993, the Corporation was created by the City under the Texas Development Corporation Act of 1979 for the purpose of promoting, assisting, and enhancing economic and development activities on behalf of the City. Effective October 1, 2005, the board of directors consists of members of the City Council. In the event of dissolution, net position of the Corporation shall be conveyed to the City. The Corporation is blended rather than discretely presented because the Corporation's governing body is the same as the City's and the management of the City has operational responsibility for the Corporation.

Discretely Presented Component Units:

Sugar Land 4B Corporation
In 1995, the City of Sugar Land formed the Sugar Land 4B Corporation (the "4B Corporation"), which was created by voters approving an additional sales tax. State law allows the City to collect sales tax to assist in the promotion and development activities of the City. The board of directors of the 4B Corporation is appointed by and serves at the discretion of the City Council. City Council approval is required for annual budgets and bonded debt issuance. In the event of dissolution, net position of the 4B Corporation shall be conveyed to the City.

Sugar Land Town Square Tax Increment Reinvestment Zone No. 1
In 2000, the City of Sugar Land formed the Sugar Land Town Square Tax Increment Reinvestment Zone No. 1 ("TIRZ 1"), which was created under the authority of Tax Increment Financing Act, as codified as Chapter 311 of the Texas Tax Code. TIRZ 1 is a financing and management tool for the City in providing public facilities and infrastructure for a 32-acre multi-use development. The participants include Fort Bend County, First Colony LID #2 and the City at 100% of incremental value. The board of directors consists of nine members. Fort Bend County appoints one position, the State Senator appoints one position and the State Representative of the area included within the zone appoints one position. The remaining six members are appointed by City Council. City Council has the authority to approve or disapprove TIRZ 1 projects.

Sugar Land Reinvestment Zone No. 3
In 2007, the City of Sugar Land formed the Sugar Land Reinvestment Zone No. 3 ("TIRZ 3"), which was created under the provisions of Chapter 311 of the Texas Tax Code for the purposes of promoting development and redevelopment of a contiguous area within the City. TIRZ 3 is a financial tool with resources from property taxes to be utilized in providing public improvements in TIRZ 3. The City participates at 50% of increment over the 2007 base value plus 50% of sales taxes within the historic district. Fort Bend County General Fund participates at 50% based on an increment over the 2013 tax base. Fort Bend County Drainage District does not participate. The board of directors consists of five members of which the City Council appoints four members and Fort Bend County has the authority to appoint one member. City Council has the authority to approve or disapprove TIRZ 3 projects.

Sugar Land Reinvestment Zone No. 4
In 2009, the City of Sugar Land formed Reinvestment Zone No. 4 ("TIRZ 4") through Ordinance 1768 under the provisions of Chapter 311 of the Texas Tax Code. The purpose of TIRZ 4 is to use tax increment revenue to finance public improvements and facilities necessary to support the development of a high-quality mixed-use center with retail, office and entertainment uses. The City participates at a rate of 50% of their ad valorem tax rate above the 2009 tax base over the 30 year life of TIRZ 4. Fort Bend County Municipal Utility District Nos. 138 and 139 have also agreed to contribute at a rate of 50% of the City's tax rate via participation agreements in 2011, while Fort Bend County Municipal Utility District No. 137 has yet to formalize a participation agreement. Participation agreements were formalized with Fort Bend County and the Fort Bend County Drainage District in January 2014 with a 2013 tax base. These agreements provide for 50% participation in years 2014 through 2029, 30% in years 2030 through 2034, and 20% in years 2035 through 2039; however, revenues were not captured until tax year 2014 (fiscal year 2015). The board of directors of TIRZ 4 consists of nine members, with four members appointed by the City, and one member appointed by each of the remaining taxing entities. Board members representing taxing entities that have yet to participate in TIRZ 4 have not been officially accepted as full recommending and voting members. The City Council has the final authority to approve or disapprove the TIRZ 4 Final Project Plan.

Separately issued audited financial statements are not available for the discretely presented component units. Information on each of the discretely presented component units is included in separate combining statements within the basic financial statements of the City (following the basic financial statements for the funds). Unaudited financial statements may be obtained from the City's Finance Department.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information about the City as a whole. These statements include all activities of the primary government and its component units. For the most part, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this general rule are charges between the City's business-type and governmental funds and interfund loans. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

In the fund financial statements, the accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column in the government-wide financial statements incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the City's enterprise funds.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements and all proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. With this measurement focus, all assets and deferred outflows of resources, and all liabilities and deferred inflows of resources, associated with the operations of these activities are included on the statements of net position.

The governmental fund financial statements are presented on a current financial resources measurement focus and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. “Measurable” means that the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include sales and use taxes, franchise taxes, charges for services and interest revenues. Property tax levies and other receipts become measurable and available when cash is received by the government and are recognized as revenue at that time.

Under modified accrual accounting, expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for interest on general long-term debt, which is recognized when due. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile fund-based financial statements with the governmental activities column of the government-wide presentation.

The fund financial statements provide information about the City's funds, including its blended component unit. Separate statements are presented for each fund category—governmental and proprietary. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Governmental funds are those funds through which most governmental functions are typically financed. The City reports the following major governmental funds:

The *General Fund* is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, administrative services, public works, parks and recreation, community development, and public safety.

The *Debt Service Fund* is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of the City. The principal source of revenue for debt service is local property taxes.

The *Capital Projects Fund* is used to account for the expenditures of resources accumulated from the sale of bonds and related interest earnings for capital improvement projects.

The *Enterprise Funds* are a type of proprietary fund used to account for services which are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. Enterprise fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. The City reports the following major enterprise funds:

The *Utility Fund* is used to account for the City's water and wastewater services. The primary source of revenue is charges for services and the expenditures relate to operating expenses. This fund also accounts for activity related to the mandated groundwater reduction plan (GRP) and GRP revenues.

The *Airport Fund* is used to account for the City's airport services. The primary source of revenue is charges for services and the expenditures relate to operating expenses.

In addition, the City reports the following nonmajor enterprise funds:

The *Solid Waste Fund* is used to account for the City's solid waste services. The primary source of revenue is charges for services and the expenditures relate to operating expenses.

The *Stormwater Fund* is used to account for stormwater compliance activities and drainage related maintenance and operations previously funded in the General Fund. This fund is supported through a Storm Water Compliance Fee charged to residents, businesses, and establishments considered non-exempt by law or ordinance to this fee.

In addition, the City reports the following fund types:

Special revenue funds are governmental funds used to account for the proceeds of specific revenue sources that are legally restricted or committed for expenditures for specific purposes. The City's special revenue funds are aggregated and reported as nonmajor funds.

Internal Service Funds are a type of proprietary fund used to account for the financing of goods or services provided by one department or program to other departments or programs of the City on a cost-reimbursement basis. These funds are presented, in summary form, as part of the proprietary fund financial statements. Since the principal users of the internal services are the City's governmental activities, financial activities of the internal service funds are presented in the governmental activities column when presented at the government-wide level. The costs of these services are allocated to the appropriate function/program (general government, public safety, public works, etc.) in the statement of activities. Goods and services provided by the internal service funds include employee health benefits, fleet replacement and high-technology replacement.

D. Net Position

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation/ amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

E. Fund Balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called fund balance. The City uses the following classifications to describe the relative spending constraints on the various categories of fund balance. These clearly defined fund balance categories make the nature and extent of the constraints placed on the City's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Non-spendable fund balance – amounts that are not in spendable form or are legally or contractually required to be maintained intact.

Restricted fund balance – amounts that are subject to external restrictions from creditors, grantors, contributors, or imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – amounts constrained for specific purposes as determined by the City itself, using its highest level of decision-making authority (i.e. City Council). To be reported as committed, amounts cannot be used for any other purposes unless the City takes the same highest level of action to remove or change the constraint. The City establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. City Council will approve obligations of funds, such as multi-year contracts, prior to the end of the fiscal year.

Assigned fund balance – amounts the City intends to use for a specific purpose that are neither restricted or committed and includes the remaining positive fund balance of all governmental funds except for the General Fund. Balances for encumbrances, other than those committed by City Council, fall into this category. Intent can be established by City Council or an official to which City Council has delegated this authority. City Council has by Resolution 14-24 authorized the City Manager to assign fund balance.

Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the General Fund. Any other funds will report negative amounts only in the unassigned category.

When the City funds outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance), a flow assumption must be made about the order in which the resources are considered to be applied. In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, the City will typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

F. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Open encumbrances are reported as committed or assigned fund balances since they do not constitute expenditures or liabilities. Encumbrances outstanding at year-end are appropriately provided for in the subsequent year's budget.

As of September 30, 2025, the City had $40.6 million of encumbrances expected to be honored upon performance by the vendor in the next year as follows:

General fund	$ 1,221,163
Capital projects fund	13,853,137
Nonmajor governmental funds	2,799,462
Utility fund	20,881,453
Airport fund	1,352,344
Nonmajor enterprise funds	283,089
Discretely presented component unit	213,488
Total encumbrances	$ 40,604,136

G. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, balances in privately managed public funds investment pools ("TexPool", "TexSTAR" and "Texas CLASS"), balances in a governmental money market mutual fund and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

The City pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments.

The City pools excess cash of the various individual funds to purchase these investments. These pooled investments are reported in the combined balance sheet as cash equivalents in each fund based on each fund's share of the pooled investments. Interest income is allocated to each respective individual fund, monthly, based on their respective share of investments in the pooled investments. The City's local government investment pools are recorded at amortized cost or net asset value.

H. Investments

Investments consist of United States (U.S.) Government and Agency securities and certificates of deposit. The City reports all investments at fair value. The City categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

I. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated unbilled revenues from the Utility Fund are recognized at the end of each fiscal year on a pro rata basis, based on billings during the month following the close of the fiscal year.

Internal Balances

The effect of interfund activity has been removed from the financial statements, with the exception of amounts between governmental and business-type activities, which are presented as internal balances. Goods and services provided by the City's internal service funds are charged as direct costs to the enterprise funds that received those goods and services.

J. Inventories and Prepaid Items

Inventories of the General Fund and enterprise funds are valued at weighted average cost, except for airport fuel which is valued at market cost. Inventories for all funds consist of expendable supplies held for consumption, and the cost thereof is recorded as an expense/expenditure at the time the inventory items are issued (consumption method). Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

K. Restricted Assets

The enterprise funds have restricted certain cash and investments for customer deposits, reserve and emergency expenditures, and revenue bond debt service. Because of certain bond covenants, the City is required to maintain prescribed amounts of resources that can be used only to service outstanding debt. The proceeds from debt are restricted for use on capital projects. Additionally, the Sugar Land Development Corporation and the Sugar Land 4B Corporation have restricted certain cash and investments for revenue bond debt service, and because of certain bond covenants, they are required to maintain prescribed amounts of resources that can be used only to service outstanding debt.

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future reporting period and thus, will not be recognized as an outflow of resources (expense or expenditure) until that time. The City has three items that qualify for reporting in this category. These are the deferred charge on refunding reported in the government-wide and proprietary fund statements of net position, and deferred amounts related to pension and OPEB.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future reporting period and thus, will not be recognized as an inflow of resources (revenue) until that time. The City has five items that qualify for reporting in this category. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues primarily from three sources: property taxes, fines, and EMS services. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the government-wide and proprietary fund financial statements the City reports a deferred gain on refunding and deferred amounts related to pension and OPEB. The City reports deferred inflows related to leases in the governmental funds balance sheet, as well as the government-wide and proprietary fund financial statements.

Deferred amounts on refunding result from the difference between the carrying value of refunded debt and its reacquisition price. These amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts related to pension and OPEB relate primarily to differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and OPEB related charges, and will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided benefits through these plans. Deferred amounts related to leases represent future inflows of resources which will be recognized as revenue over the life of the lease term.

M. Capital Assets

Capital assets, including tangible assets such as property, plant, and equipment as well as intangible assets, are defined by the City as assets with an initial, individual cost of more than $100,000 and an estimated useful life in excess of two years. Infrastructure has been capitalized retroactively. Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements and are reported in the proprietary fund statements but are recorded as expenditures when acquired in the governmental fund financial statements.

Capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are recorded at acquisition value at the date of donation. Capital assets acquired from Municipal Utility Districts (“MUDs”) are recorded at the book value of the MUD at the date of dissolution. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' original estimated useful lives are charged to operations when incurred.

Land, construction in progress, and certain intangible assets are not depreciated. The other tangible and intangible capital assets are depreciated/amortized using the straight-line method over the following estimated useful lives:

Asset Description	Estimated Useful Life
Vehicles	3 to 10 years
Office furniture and equipment	3 to 20 years
Machinery and equipment	6 to 15 years
Water and wastewater system	10 to 50 years
Airport facilities and improvements	20 to 45 years
Buildings, facilities and land improvements	15 to 45 years
Infrastructure	20 to 40 years

Right-to-use leased equipment and subscription assets are initially recognized at the present value of contractual payments expected to be made during the term of the lease or subscription agreement, plus any payments made to the vendor before commencement of the term and capitalizable implementation costs, less any incentives received from the vendor at or before the commencement of the term (if applicable). Right-to-use leased equipment and subscription assets are amortized using the straight-line method over the life of the associated contract.

Leases

Lessee
With the exception of short-term leases, when the City is a lessee in noncancellable lease arrangements the City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide and proprietary fund financial statements. The City recognizes lease liabilities with an initial, individual value of $100,000 or more. For leases not meeting these criteria, lease payments are recognized as outflows of resources based on the payment provisions of the contract.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.
Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position. The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lessor
With the exception of short-term leases and certain regulated leases, when the City is a lessor in noncancellable lease arrangements the City recognizes a lease receivable and a deferred inflow of resources in the government-wide, proprietary fund, and governmental fund financial statements. For short-term leases and excluded regulated leases, lease revenues are recognized as inflows of resources based on the payment provisions of the contract. See Note 12 for details of the City's leasing arrangements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

N. Subscription-Based Information Technology Arrangements

The City reports a subscription liability and an intangible right-to-use capital asset (known as the subscription asset) on the government-wide financial statements for a subscription-based information technology arrangement (SBITA). The City's policy is to recognize subscription liabilities with an initial, individual value of $100,000 or more.

At the commencement of a SBITA, the City initially measures the subscription liability at the present value of payments expected to be made during the SBITA term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the SBITA commencement date, plus certain initial direct costs, including development costs. Subsequently, the subscription asset is amortized on a straight-line basis over the SBITA term.

Key estimates and judgments related to SBITAs include how the City determines (1) the discount rate it uses to discount the expected SBITA payments to present value, (2) SBITA term, and (3) subscription payments.

- The City uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- The SBITA term includes the noncancellable period of the SBITA and any extensions that are deemed certain to be exercised. Subscription payments included in the measurement of the subscription liability are composed of fixed payments to the SBITA vendor.

The City monitors changes in circumstances that would require a remeasurement of its SBITAs and will remeasure subscription assets and liabilities if certain changes occur that are expected to significantly affect the amount of the subscription liabilities.
Subscription assets are reported with other capital assets and subscription liabilities are reported with long-term liabilities on the statement of net position.

O. Compensated Absences

The City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example paid in cash to the employee or payment to an employee benefit account) during or upon separation from employment. Based on the criteria listed, the following types of leave qualify for liability recognition for compensated absences – vacation and sick leave. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Employees earn vacation based on years of service with the City. Employees are paid unused vacation time to a maximum of 320 hours upon termination, depending on longevity, but may not otherwise elect to be paid in lieu of vacation. The maximum for Shift Firefighters is 448 hours.

Sick leave credit accrues at the rate of one day for each month of service. Full-time employees are, upon voluntary termination and in good standing or retirement, paid for unused sick leave to a maximum of 40 or 80 hours of such pay, depending on years of service. The General Fund has typically been used to liquidate governmental activity compensated absences in prior years.

A liability for the estimated value of leave benefits that will be paid upon separation of service or used by employees as time off is included in the liability for compensated absences.

P. Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its fiduciary net position in the Texas Municipal Retirement System ("TMRS") and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by TMRS. 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.

Q. Other Post-Employment Benefits

The City provides its retirees the opportunity to maintain health insurance coverage by participating in the City's self-insurance plan. The City reports the total liability for this plan on the government-wide and proprietary fund financial statements. The actual cost recorded in the governmental fund financial statements is the cost of the health benefits incurred on behalf of the retirees less the premiums collected from the retirees.

Additionally, the City participates in a defined benefit group-term life insurance plan, both for current and retired employees, administered by TMRS. The City reports the total liability for this plan on the government-wide and proprietary fund financial statements.

R. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

S. Budgets

Annual appropriated budgets are adopted for the General Fund, certain special revenue funds, and the Debt Service Fund, on basis consistent with the modified accrual basis of accounting. Project-length budgets are utilized for the Capital Projects Fund.

T. Implementation of New Accounting Standards

GASB Statement No. 101, Compensated Absences (GASB 101), improves the information needs of financial statements users by updating the recognition and measurement guidance for compensated absences under a unified model and amending certain previously required disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2023, with earlier application encouraged. GASB 101 was implemented in the City's fiscal year 2025 financial statements with a restatement of $(2,328,138) to governmental activities and $(437,557) to business-type activities net position.

GASB Statement No. 102, *Certain Risk Disclosure* (GASB 102), improves financial reporting by providing users of financial statements with essential information regarding certain concentrations of constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. The requirements of this statement are effective for reporting period beginning after June 15, 2024, with earlier application encouraged. GASB 102 was implemented in the City's fiscal year 2025 financial statements with no impact to amounts or disclosures previously reported.

U. Recent Accounting Pronouncements

GASB Statement No. 103, *Financial Reporting Model Improvements* (GASB 103), improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This statement also addresses certain application issues. The requirements of this statement are effective for reporting periods beginning after June 15, 2025, with earlier application encouraged. GASB 103 will be implemented in the City's fiscal year 2026 financial statements and the impact has not yet been determined.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* (GASB 104), establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note disclosures. It also establishes requirements for capital assets held for sale, including additional disclosures for those capital assets. The requirements of this statement are effective for reporting periods beginning after June 15, 2025, with earlier application encouraged. GASB 104 will be implemented in the City's fiscal year 2026 financial statements and the impact has not yet been determined.

GASB Statement No. 105, *Subsequent Events* (GASB 105), improves financial reporting related to subsequent events by 1) clarifying the subsequent events time frame and the subsequent events that constitute recognized and non-recognized events and 2) specifies the information items that are required to be disclosed about subsequent events. The requirements of this statement are effective for reporting periods beginning after June 15, 2026, with earlier application encouraged. GASB 105 will be implemented in the City's fiscal year 2027 financial statements and the impact has not yet been determined.

Note 2. Deposits (Cash) and Investments

Authorization for Deposits and Investments
The Texas Public Funds Investment Act ("PFIA"), as prescribed in Chapter 2256 of the Texas Government Code, regulates deposits and investment transactions of the City.

In accordance with applicable statutes, the City has a depository contract with an area bank (depository) providing for interest rates to be earned on deposited funds and for banking charges the City incurs for banking services received. The City may place funds with the depository in interest and non-interest-bearing accounts. State law provides that collateral pledged as security for bank deposits must have a market value of not less than the amount of the deposits and must consist of: (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas; and/or (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent. City policy requires the collateralization level to be at least 102% of market value of principal and accrued interest.

The Council has adopted a written investment policy regarding the investment of City funds as required by the PFIA. The investments of the City are in compliance with the City's investment policy. The City's investment policy is more restrictive than the PFIA requires. It is the City's policy to restrict its direct investments to certain obligations of governmental entities or guaranteed by governmental entities, certificates of deposit, repurchase agreements, bankers' acceptances, no-load mutual funds, and eligible public funds investment pools. The maximum maturity allowed is three years from date of purchase.

The City's investment policy does not allow investments in commercial paper, collateralized mortgage obligations, floating rate investments or swaps, forwards, futures, options, foreign exchange, among other items.

The City's cash and investments are classified as: cash and cash equivalents, investments, restricted cash and cash equivalents, and restricted investments. The restricted cash and investments are assets restricted for specific use and include the same investment vehicles as the unrestricted categories. For better management of cash, the City pools the cash balances of its various funds, based on the City's needs, into either deposits in bank accounts, short-term investments with public funds investment pools or a governmental security money market mutual fund, or in longer-term investments in U.S. Government or Agency securities. However, each fund's balance of pooled cash and investments is maintained separately in the records of the City.

At September 30, 2025, the City invested in a governmental security money market mutual fund (Wells Fargo Government Money Market Fund) as part of its investment and cash management strategy. This fund is utilized through daily sweeps of excess cash by the City's custodial bank into the custodial bank-sponsored short-term investment fund that is invested in short-term U.S. Government and Agency debt and repurchase agreements.

Deposit and Investment Amounts

The following schedule details the City's cash and cash equivalents and investments at year-end:

	Primary Government			Discretely Presented Component Units			
Cash and cash equivalents:	Total	Restricted	Unrestricted	Total	Restricted	Unrestricted	Total
Cash deposits	$ 60,802,485			$ -			$ 60,802,485
Governmental mutual fund	79,675,383			11,805,110			91,480,493
Public funds investment pools:							
Texas CLASS	239,119,757			5,527,849			244,647,606
TexPool	23,419,630			1,725,897			25,145,527
TexSTAR	59,006,760			3,385,995			62,392,755
Total	$ 462,024,015	$ 345,856,065	$ 116,167,950	$ 22,444,851	$ 2,092,278	$ 20,352,573	$ 484,468,866
Investments:							
Certificates of deposit	$ 11,958,987			$ 1,496,421			$ 13,455,408
Government securities:							
U.S. Treasuries	2,000,336			-			2,000,336
FHLB	31,114,218			1,997,415			33,111,633
FHLMC	6,003,657			1,998,915			8,002,572
FNMA	5,254,102			750,283			6,004,385
FAMCA	9,000,938			3,000,549			12,001,487
FFCB	6,019,286			-			6,019,286
Total	$ 71,351,524	$ 27,365,595	$ 43,985,929	$ 9,243,583	$ -	$ 9,243,583	$ 80,595,107
Total cash, cash equivalents, and investments:	$ 533,375,539			$ 31,688,434			$ 565,063,973

The City's total cash deposits, including certificates of deposit at September 30, 2025, were entirely covered by collateralized securities held in the City's name or by federal deposit insurance.

Investments' fair value measurements are as follows at September 30, 2025:

Investments	Fair Value Measurements Using Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Certificates of deposit	$ 13,455,408	$ -	$ 13,455,408	$ -
Government securities:				
U.S. Treasuries	2,000,336	-	2,000,336	-
FHLB	33,111,633	-	33,111,633	-
FHLMC	8,002,572	-	8,002,572	-
FNMA	6,004,385	-	6,004,385	-
FAMCA	12,001,487	-	12,001,487	-
FFCB	6,019,286	-	6,019,286	-
Total	$ 80,595,107	$ -	$ 80,595,107	$ -

Fair value of certificates of deposit and government securities, classified as Level 2, is based on price data obtained from broker dealers and/or pricing vendors, including observed transactions such as last price traded when available, or valuations in reference to similar securities for which prices are available.

The amount of increase or decrease in the fair value of investments during the current year is included in the City's investment income as follows:

	Primary Government	Discretely Presented Component Units
Interest income	$ 20,539,694	$ 1,537,476
Unrealized gain (loss) on temporary investments	57,424	(4,639)
Total investment earnings	$ 20,597,118	$ 1,532,837

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the maximum maturity of securities to three years or 1,095 days. The settlement date is considered the date of purchase. The targeted maximum weighted average maturity allowed, based on the stated maturity date, for the portfolio is 548 days or 18 months. To the extent possible, the City attempts to match investments with anticipated cash flow requirements.

The City measures interest rate risk using the weighted average maturity method for the portfolio. The weighted average maturities at year-end are as follows:

	Primary Government	Discretely Presented Component Units	Weighted Average Maturity (days)
Cash deposits	$ 60,802,485	$ -	1
Governmental mutual fund	79,675,383	11,805,110	1
Public funds investment pools:			
Texas CLASS	239,119,757	5,527,849	1
TexPool	23,419,630	1,725,897	1
TexSTAR	59,006,760	3,385,995	1
Certificates of deposit	11,958,987	1,496,421	332
Government securities:			
U.S. Treasuries	2,000,336	-	135
FHLB	31,114,218	1,997,415	888
FHLMC	6,003,657	1,998,915	866
FNMA	5,254,102	750,283	875
FAMCA	9,000,938	3,000,549	833
FFCB	6,019,286	-	662
Total	$ 533,375,539	$ 31,688,434	

Concentration of Credit Risk
The concentration of credit risk is the risk of loss that may be caused by the City's investment in a single issuer. The City’s investment policy allows investments by type based on the following diversification requirements:

Investment Type	Maximum Investment %
Repurchase agreements	50%
Certificates of deposit	50%
U.S. Treasury securities	100%
Other U.S. Government securities	75%
Authorized investment pools	50% in one pool; 90% all pools
Authorized investment pools with Commercial Paper	25%
Bankers' acceptances	25%
No load money market mutual funds	50%
No load mutual funds	15%
Flexible repurchase agreements	50%

As of September 30, 2025, no investments in any single issuer comprised more than 10% of the City's total investments.

Credit Risk
Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The City's investment policy provides minimum required ratings for investment pools (AAA or AAm or no lower than investment grade by at least one nationally recognized rating service), no-load mutual funds (not less than AAA or its equivalent by at least one nationally recognized investment rating firm), and bankers' acceptances (not less than A-1 or P-1 or an equivalent by at least one nationally recognized credit rating agency). Investments with minimum required ratings do not qualify as authorized investments during the period the investment does not have the minimum rating.

Securities from Federal Home Loan Banks (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), Federal National Mortgage Association (FNMA), Federal Agricultural Mortgage Corporation (FAMCA), and Federal Farm Credit Banks (FFCB) were all rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service. The public funds investment pools (Texas CLASS, TexPool, and TexSTAR) were rated AAAm by Standard and Poor's, and the governmental money market mutual fund was rated AAAm by Standard and Poor's. The certificates of deposit are not rated.

Custodial Credit Risk – Investments
The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. To limit its exposure, the City's investment policy requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by a third-party custodian.

Local Government Investment Pools
As of September 30, 2025, the City maintained balances in TexPool, TexSTAR and Texas CLASS local government investment pools. The investment pool balances are not evidenced by securities that exist in physical or book entry form and, accordingly, do not have custodial risk.

TexPool policies require that local government deposits be used to purchase investments authorized by the PFIA. TexPool is a public funds investment pool created by the Texas Treasury Safekeeping Trust Company (the "Trust Company") to provide a safe environment for the placement of local government funds in authorized short-term, fully collateralized investments, including direct obligations of, or obligations guaranteed by, the United States or State of Texas or their agencies; federally insured certificates of deposit issued by Texas banks or savings and loans; and fully collateralized direct repurchase agreements secured by United States Government Agency securities and placed through a primary government securities dealer.

The Trust Company was incorporated by the State Treasurer by authority of the Texas Legislature as a special purpose trust company with direct access to the services of the Federal Reserve Bank to manage, disburse, transfer, safe keep, and invest public funds and securities more efficiently and economically. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. TexPool uses amortized cost rather than fair value to report net position to compute share prices. The fair value of the position in TexPool is the same as the value of TexPool shares. Accordingly, the City's investments in TexPool are stated at amortized cost, which approximates fair value.

TexSTAR is administered by HilltopSecurities and JPMorgan Chase. TexSTAR is a local government investment cooperative created under the Interlocal Cooperation Act specifically tailored to meet state and local government investment objectives of preservation of principal, daily liquidity and competitive yield. The fund maintains a maturity of 60 days or less, with a maximum of 13 months for any individual security. The fund seeks to maintain a constant dollar objective and fulfills all requirements of Texas PFIA for local government investment pools.

TexSTAR is overseen by a five-member governing board made up of three participants and one of each of the program's professional administrators. The responsibility of the board includes the ability to influence operations, designation of management, and accountability for fiscal matters. In addition, the pool has a Participant Advisory Board which provides input and feedback on the operations and direction of the program and Standard and Poor's reviews the pool on a weekly basis to ensure the pool's compliance with its rating requirements. TexSTAR uses amortized cost (which excludes unrealized gains and losses) rather than fair value to report net assets to compute share price. Accordingly, the City's investments in TexSTAR are stated at amortized cost, which approximates fair value.

Texas Cooperative Liquid Assets Securities System ("Texas CLASS"), is governed by a board of trustees, elected annually by its participants. Texas CLASS is a local government investment pool emphasizing safety, liquidity, convenience and competitive yield. Since 1996, Texas CLASS has provided Texas public entities a safe and competitive investment alternative. Texas CLASS invests only in securities allowed by the PFIA. The City reports its investment in Texas CLASS at net asset value (NAV), which is the same as the value of the pool shares.

The local government investment pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

Restricted Assets
The enterprise funds have restricted certain cash and cash equivalents and investments for debt service or capital projects. Because of certain bond covenants, the enterprise funds are required to maintain prescribed amounts of resources that can be used only to service outstanding debt. Some of the proceeds from debt or from funds received from acquisition of MUDs are restricted for use on capital projects. The amounts of the restricted cash and cash equivalents and investments and their respective purpose in the enterprise funds are as follows:

Restricted Purpose	Cash and Cash Equivalents	Investments
Restricted for Capital Projects	$ 125,849,636	$ 2,004,508
Restricted for Debt Service	10,271,747	-
Total	$ 136,121,383	$ 2,004,508

The Sugar Land 4B Corporation has restricted certain cash and investments for revenue bond debt service. This is done to comply with certain bond covenants that require funds to be reserved and used only to service outstanding debt.

Restricted cash, cash equivalents and investments are also reported in governmental funds and are restricted for the specific purposes of those particular funds.

Note 3. Receivables

Property Taxes
Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The Central Appraisal District ("CAD") of Fort Bend County, Texas, establishes appraised values, and performs billing and collection of the City's tax levies. Taxes are levied by the City Council based on the appraised values and in accordance with the adopted budget.

Receivables – Detailed

Receivables, other than leases receivable, are aggregated into a single accounts receivable (net of an allowance for estimated uncollectible accounts) line on the financial statements. See Note 12 for details of the City's leases receivable. Receivables at September 30, 2025, other than leases receivable, consist of the following:

Governmental Activities:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total	Internal Service Funds
Property taxes, including penalties and interest	$ 1,553,440	$ 591,790	$ -	$ 35,368	$ 2,180,598	$ -
Sales and other taxes	10,152,330	-	-	2,388,834	12,541,164	-
Fines and forfeitures	1,761,479	-	-	-	1,761,479	-
Interest	177,836	188,325	110,910	212,190	689,261	19,540
Other	3,074,520	-	-	70,490	3,145,010	203,319
Due from other governments	18,679	-	2,217,369	-	2,236,048	-
Less: allowance for uncollectibles	(2,289,930)	-	-	-	(2,289,930)	(796)
Totals	$ 14,448,354	$ 780,115	$ 2,328,279	$ 2,706,882	$ 20,263,630	$ 222,063

Business-type Activities:

	Utility Fund	Airport Fund	Nonmajor Enterprise Funds	Total
Customer accounts	$ 8,060,328	$ 179,869	$ 1,379,252	$ 9,619,449
Interest	358,157	88,547	12,809	459,513
Other	-	-	176,440	176,440
Due from other governments	-	569,052	-	569,052
Less: allowance for uncollectibles	(127,900)	(3,320)	(39,919)	(171,139)
Totals	$ 8,290,585	$ 834,148	$ 1,528,582	$ 10,653,315

Component Units:

	Sugar Land 4B Corporation	Sugar Land Town Square Tax Increment Reinvestment Zone No. 1	Sugar Land Reinvestment Zone No. 3	Sugar Land Reinvestment Zone No. 4	Total
Sales and other taxes	$ 1,647,659	$ -	$ 30,169	$ -	$ 1,677,828
Interest	116,009	-	108	20,129	136,246
Other	567	-	-	-	567
Totals	$ 1,764,235	$ -	$ 30,277	$ 20,129	$ 1,814,641

Note 4. Capital Assets

A summary of changes in the primary government's capital assets for the year ended September 30, 2025, follows:

Governmental activities:	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated/amortized:					
Land and improvements	$ 122,626,879	$ 28,750,746	$ -	$ -	$ 151,377,625
Construction in progress	39,590,099	32,988,919	-	(12,599,427)	59,979,591
Intangibles	4,763,156	-	-	27,581	4,790,737
Total capital assets, not being depreciated/amortized	166,980,134	61,739,665	-	(12,571,846)	216,147,953
Depreciable/amortizable assets:					
Infrastructure	642,677,735	422,430	-	6,854,606	649,954,771
Buildings and improvements	263,237,777	-	-	4,479,363	267,717,140
Equipment and furniture	67,366,037	3,755,026	(2,789,364)	886,060	69,217,759
Intangibles	1,016,077	-	(13,854)	351,817	1,354,040
Right-to-use leased equipment	986,758	5,292,936	-		6,279,694
Subscription assets	6,967,866	2,042,579	-		9,010,445
Total depreciable/amortizable assets	982,252,250	11,512,971	(2,803,218)	12,571,846	1,003,533,849
Less accumulated depreciation/amortization for:					
Infrastructure	(391,264,500)	(14,362,413)	-	-	(405,626,913)
Buildings and improvements	(98,634,501)	(7,673,559)	-	-	(106,308,060)
Equipment and furniture	(45,496,376)	(4,600,052)	2,716,332	-	(47,380,096)
Intangibles	(993,175)	(61,269)	13,854	-	(1,040,590)
Right-to-use leased equipment	(150,206)	(452,811)	-	-	(603,017)
Subscription assets	(1,815,421)	(1,970,912)	-	-	(3,786,333)
Total accumulated depreciation/amortization	(538,354,179)	(29,121,016)	2,730,186	-	(564,745,009)
Total capital assets, being depreciated/amortized, net	443,898,071	(17,608,045)	(73,032)	12,571,846	438,788,840
Governmental activities capital assets, net	$ 610,878,205	$ 44,131,620	$ (73,032)	$ -	$ 654,936,793

Business-type activities:	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated/amortized:					
Land and improvements	$ 32,138,441	$ -	$ -	$ -	$ 32,138,441
Construction in progress	56,448,851	13,891,672	-	(38,710,030)	31,630,493
Intangibles	3,960,975	4,872	-	-	3,965,847
Total capital assets, not being depreciated/amortized	92,548,267	13,896,544	-	(38,710,030)	67,734,781
Depreciable/amortizable assets:					
Infrastructure	674,488,573	505,484	-	38,406,296	713,400,353
Buildings and improvements	29,868,369	-	-	-	29,868,369
Equipment and furniture	12,123,441	1,178,239	(74,059)	303,734	13,531,355
Intangibles	1,058,745	16,688	-	-	1,075,433
Subscription assets	-	463,796	-	-	463,796
Total depreciable/amortizable assets	717,539,128	2,164,207	(74,059)	38,710,030	758,339,306
Less accumulated depreciation/amortization for:					
Infrastructure	(379,860,974)	(19,912,182)	-	-	(399,773,156)
Buildings and improvements	(13,348,830)	(832,512)	-	-	(14,181,342)
Equipment and furniture	(8,315,884)	(674,507)	74,059	-	(8,916,332)
Intangibles	(997,323)	(28,690)	-	-	(1,026,013)
Subscription assets	-	(73,880)	-	-	(73,880)
Total accumulated depreciation/amortization	(402,523,011)	(21,521,771)	74,059	-	(423,970,723)
Total depreciable/amortizable assets, net	315,016,117	(19,357,564)	-	38,710,030	334,368,583
Business-type activities capital assets, net	$ 407,564,384	$ (5,461,020)	$ -	$ -	$ 402,103,364

Depreciation/amortization was charged to programs as follows:

Governmental activities:		
General government	$	2,587,855
Administrative services		28,463
Public works		15,210,761
Parks and recreation		6,573,898
Environmental and neighborhood services		933,923
Community development		22,088
Public safety - Police		1,044,153
Public safety - Dispatch		59,066
Public safety - Fire		739,947
Depreciation charged in internal service funds		1,920,862
Total governmental activities depreciation/amortization expense	$	29,121,016

Business-type activities:		
Water and wastewater	$	17,744,211
Airport		3,743,832
Solid waste		4,940
Stormwater		28,788
Total business-type activities depreciation/amortization expense	$	21,521,771

For governmental activities, depreciation on facilities is included with the Public Works allocation shown above.

The City has active construction projects as of September 30, 2025. The projects include various improvements to streets, parks and facilities as well as airport and utility improvements. At year-end, the City's contractual commitments on projects were as follows:

Projects		Total in Progress		Remaining Commitment
Airport Improvement	$	1,088,247	$	909,078
Drainage Improvement		29,063,562		4,298,461
Municipal improvements		16,708,095		2,756,812
Park Improvement		1,336,031		865,025
Public Art		282,564		-
Street Improvement		9,790,216		5,348,803
Surface Water		1,715,043		762,517
Traffic Improvement		2,799,124		261,055
Water and Wastewater Improvements		28,827,202		17,234,660
Totals	$	91,610,084	$	32,436,411

A summary of changes in the component units' capital assets for the year ended September 30, 2025, follows:

Sugar Land 4B Corporation	**Beginning Balance**	**Increases**	**Reclassifications / (Decreases)**	**Ending Balance**
Depreciable/amortizable assets:				
Subscription assets	$ 17,187	$ -	$ (17,187)	$ -
Total depreciable/amortizable assets	17,187	-	(17,187)	-
Less accumulated depreciation/amortization for:				
Subscription assets	(8,593)	-	8,593	-
Total accumulated depreciation/amortization	(8,593)	-	8,593	-
Sugar Land 4B Corporation capital assets, net	$ 8,594	$ -	$ (8,594)	$ -

Note 5. Long-Term Debt

A. Governmental Activity Debt

The City issues general obligation bonds and certificates of obligation and upon dissolution of MUDs, assumes unlimited tax and revenue obligations. The assumed obligations were used to acquire and construct major capital facilities. General obligation bonds, certificates of obligation, and assumed obligations from dissolved areas are for both governmental and business-type activities. The bonds are reported in the proprietary funds only if they are expected to be repaid from proprietary revenues. The general long-term bonds, certificates of obligation and assumed obligations are paid through the Debt Service Fund from tax revenues and transfers from the Utility Fund.

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended September 30, 2025. In general, the City uses the General and Debt Service funds to liquidate governmental long-term liabilities. Sales tax revenue bonds are serviced through sales tax revenues reported in the Sugar Land Development Corporation special revenue fund. Compensated absences and other long-term liabilities are typically liquidated by the General Fund.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds payable:					
General obligation bonds	$ 117,538,244	$ 26,300,000	$ (12,418,243)	$ 131,420,001	$ 12,155,000
Annexed utility district bonds	2,135,000	-	(2,135,000)	-	-
Certificates of obligation	141,495,000	48,390,000	(9,345,000)	180,540,000	10,635,000
Sales tax revenue bonds	33,975,000	-	(2,400,000)	31,575,000	1,590,000
Issuance premiums/discounts	19,451,410	3,499,656	(2,132,950)	20,818,116	-
Total bonds payable, net	314,594,654	78,189,656	(28,431,193)	364,353,117	24,380,000
Other liabilities:					
Obligation to State	83,852	-	(19,721)	64,131	19,721
Compensated absences*	8,897,829	1,171,773	-	10,069,602	6,554,469
Arbitrage	-	1,699,864	-	1,699,864	1,232,283
Lease liabilities	744,665	2,437,520	(611,896)	2,570,289	555,568
Subscription liabilities	4,451,455	2,042,580	(2,273,752)	4,220,283	1,975,849
Pension	30,784,825	40,006,928	(43,812,156)	26,979,597	-
OPEB	7,696,008	204,587	(182,510)	7,718,085	-
Total governmental activities	$ 367,253,288	$ 125,752,908	$ (75,331,228)	$ 417,674,968	$ 34,717,890

*Compensated absences are reported as a net change for the year as allowed under the provisions of GASB 101, paragraph 30. Beginning balance is restated for the implementation of GASB 101, *Compensated Absences*.

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

The full amount estimated to be required for debt service on general obligation debt is provided by:

1. the debt service portion of the tax levy;
2. interest earned in the Debt Service Fund; and
3. transfers from the Utility Fund and Tourism Fund. Transfers from the enterprise funds are approved at the discretion of City Council and are not intended to service a specific bond series.

A summary of the terms of general obligation bonds and certificates of obligation, as of September 30, 2025, follows:

Description	Original Issue	Matures	Interest Rates (%)	Balance
General obligation bonds				
Series 2014 General obligation refunding bonds	$ 21,565,000	2026	2.00-5.00	$ 480,000
Series 2015 General obligation bonds	13,010,000	2035	2.125-4.00	6,775,000
Series 2015 General obligation refunding bonds	9,375,000	2028	2.00-5.00	2,280,000
Series 2016 General obligation refunding bonds	22,745,000	2029	4.00-5.00	6,450,000
Series 2016 General obligation bonds	7,570,000	2036	2.00-4.00	4,155,000
Series 2019 General obligation bonds	13,715,000	2030	3.00-5.00	5,765,000
Series 2019A General obligation refunding bonds	21,600,000	2029	3.00-5.00	9,105,000
Series 2021 General obligation refunding bonds	10,470,000	2041	2.00-5.00	7,120,001
Series 2021A General obligation bonds*	16,500,000	2052	-	14,850,000
Series 2022 General obligation bonds	13,115,000	2042	5.00	10,835,000
Series 2022A General obligation bonds	27,790,000	2043	4.00-5.00	25,010,000
Series 2023 General obligation bonds - taxable*	2,640,000	2053	-	2,470,000
Series 2024 General obligation bonds	10,345,000	2044	4.00-6.00	9,825,000
Series 2025 General obligation bonds	26,300,000	2045	4.00-5.00%	26,300,000
Total general obligation bonds				131,420,001
Certificates of obligation				
Series 2013 Tax and revenue certificates of obligation	24,440,000	2033	2.50-4.00	8,575,000
Series 2014 Tax and revenue certificates of obligation	9,980,000	2040	3.25-6.00	7,105,000
Series 2014A Tax and revenue certificates of obligation - taxable	27,130	2046	3.125-4.50	22,605,000
Series 2015 Tax and revenue certificates of obligation	15,005,000	2035	3.00-4.00	8,910,000
Series 2016 Tax and revenue certificates of obligation	19,190,000	2036	2.00-4.00	10,550,000
Series 2017 Tax and revenue certificates of obligation	19,060,000	2037	3.00-5.00	11,420,000
Series 2019 Tax and revenue certificates of obligation	20,760,000	2039	3.25-5.00	13,305,000
Series 2019A Tax and revenue certificates of obligation	15,025,000	2039	2.50-4.00	12,020,000
Series 2022 Tax and revenue certificates of obligation - taxable*	27,500,000	2053	-	25,670,000
Series 2023A Tax and revenue certificates of obligation*	1,460,000	2053	-	1,370,000
Series 2024 Tax and revenue certificates of obligation	11,180,000	2044	4.00-6.00	10,620,000
Series 2025 Tax and revenue certificates of obligation	48,390,000	2045	4.00-5.00%	48,390,000
Total certificates of obligation				180,540,000
Sales tax revenue bonds				
Series 2014 Sales tax revenue bonds	38,265,000	2040	3.75-6.75	27,375,000
Series 2021 Sales tax revenue refunding bonds	4,880,000	2038	4.00	4,200,000
Total sales tax revenue bonds				31,575,000
Total governmental activities bonds payable				$ 343,535,001

* Texas Water Development Board direct placements.

The annual requirements to amortize governmental activity general obligation bonds and certificates of obligation outstanding at September 30, 2025, are as follows:

	Governmental Activities					
Year Ending	General Obligation			Certificates of Obligation		
September 30,	Principal (1)	Interest	Total	Principal (2)	Interest	Total
2026	$ 12,155,000	$ 5,046,043	$ 17,201,043	$ 10,635,000	$ 6,233,441	$ 16,868,441
2027	9,720,000	4,362,819	14,082,819	10,735,000	5,253,996	15,988,996
2028	9,790,000	3,932,769	13,722,769	10,825,000	4,869,788	15,694,788
2029	9,120,000	3,534,394	12,654,394	10,925,000	4,479,120	15,404,120
2030	8,545,000	3,168,669	11,713,669	10,850,000	4,090,521	14,940,521
2031	6,680,000	2,851,994	9,531,994	10,945,000	3,713,409	14,658,409
2032	6,610,000	2,576,819	9,186,819	11,055,000	3,338,975	14,393,975
2033	6,650,000	2,305,044	8,955,044	9,935,000	2,995,500	12,930,500
2034	6,685,000	2,034,413	8,719,413	10,045,000	2,677,334	12,722,334
2035	5,850,001	1,765,063	7,615,064	10,075,000	2,353,800	12,428,800
2036	5,875,000	1,521,994	7,396,994	9,150,000	2,041,268	11,191,268
2037	5,520,000	1,312,775	6,832,775	8,290,000	1,753,375	10,043,375
2038	5,535,000	1,110,363	6,645,363	7,435,000	1,492,980	8,927,980
2039	5,555,000	906,556	6,461,556	7,530,000	1,245,149	8,775,149
2040	4,895,000	717,188	5,612,188	5,725,000	1,034,313	6,759,313
2041	4,895,000	542,603	5,437,603	5,130,000	873,105	6,003,105
2042	4,490,000	367,975	4,857,975	5,180,000	718,010	5,898,010
2043	3,855,000	210,000	4,065,000	5,235,000	557,633	5,792,633
2044	2,470,000	99,063	2,569,063	5,290,000	391,981	5,681,981
2045	1,955,000	29,588	1,984,588	4,790,000	165,208	4,955,208
2046	640,000	-	640,000	2,435,000	102,038	2,537,038
2047	640,000	-	640,000	2,505,000	34,538	2,539,538
2048	640,000	-	640,000	970,000	-	970,000
2049	640,000	-	640,000	970,000	-	970,000
2050	640,000	-	640,000	970,000	-	970,000
2051	640,000	-	640,000	970,000	-	970,000
2052	640,000	-	640,000	970,000	-	970,000
2053	90,000	-	90,000	970,000	-	970,000
Totals	$ 131,420,001	$ 38,396,132	$ 169,816,133	$ 180,540,000	$ 50,415,482	$ 230,955,482

(1) Includes General Obligation Bonds, Series 2021A and Series 2023, issued as private placements via 30-year, zero-interest loans through the Texas Water Development Board's Flood Infrastructure Fund. The annual requirements of these private placements include principal payments of $635,000 in fiscal years 2026 through 2035; $640,000 in fiscal years 2036 through 2052; and $90,000 in fiscal year 2053.

(2) Includes Certificates of Obligation, Series 2022 and Series 2023A, issued as private placements via 30-year, zero-interest loans through the Texas Water Development Board's Flood Infrastructure Fund. The annual requirements of these private placements include principal payments of $960,000 in fiscal years 2026 through 2031; $965,000 in fiscal years 2032 through 2043; and $970,000 in fiscal years 2044 through 2053.

The annual requirements to amortize governmental activity sales tax revenue bonds outstanding payable from sales tax receipts collected by the SLDC at September 30, 2025, are as follows:

	Sugar Land Development Corporation Blended Component Unit		
Year Ending	Sales Tax Revenue Bonds		
September 30,	Principal	Interest	Total
2026	$ 1,590,000	$ 1,377,219	$ 2,967,219
2027	1,650,000	1,286,778	2,936,778
2028	1,715,000	1,192,806	2,907,806
2029	1,790,000	1,099,675	2,889,675
2030	1,860,000	1,007,425	2,867,425
2031	1,935,000	913,537	2,848,537
2032	2,015,000	817,863	2,832,863
2033	2,105,000	718,112	2,823,112
2034	2,190,000	625,668	2,815,668
2035	2,295,000	540,687	2,835,687
2036	2,410,000	449,000	2,859,000
2037	2,530,000	350,200	2,880,200
2038	2,660,000	246,400	2,906,400
2039	2,355,000	146,100	2,501,100
2040	2,475,000	49,500	2,524,500
Totals	$ 31,575,000	$ 10,820,970	$ 42,395,970

Obligations to State – Refund of Sales Tax

During the 1999 fiscal year, the Texas State Comptroller of Public Accounts notified the City of Sugar Land, the Sugar Land Development Corporation, and the Sugar Land 4B Corporation, that the State had remitted $591,620 in sales tax receipts to the City which were not collected within the City. The State requested the amount be returned to the State. The City had allocated the sales tax to the Corporations in accordance with the proper sales tax rates. The City settled with the State to repay the State in annual installments of $19,721 starting October 1, 1999, over a 30-year period without interest.

B. Business-type Activity Long Term Debt

The following is a summary of changes in the City's total business-type long-term liabilities for the year ended September 30, 2025:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Business-type activities:					
Bonds payable:					
Water and wastewater revenue bonds	$ 136,995,000	$ 64,545,000	$ (10,790,000)	$ 190,750,000	$ 13,300,000
General obligation bonds	70,341,757	-	(3,566,757)	66,775,000	3,180,000
Certificates of obligation	11,375,000	-	(710,000)	10,665,000	685,000
Issuance premiums/discounts	19,411,382	3,628,263	(1,654,626)	21,385,019	-
Total bonds payable, net	238,123,139	68,173,263	(16,721,383)	289,575,019	17,165,000
Other liabilities:					
Compensated absences*	1,336,865	404,453	-	1,741,318	1,131,858
Arbitrage	-	869,647	(75,878)	793,769	173,786
Subscription liabilities	-	463,797	(100,005)	363,792	92,137
Pension	4,343,665	7,148,527	(7,372,443)	4,119,749	-
OPEB	1,090,431	35,878	(32,507)	1,093,802	-
Total business-type activities	$ 244,894,100	$ 77,095,565	$ (24,302,216)	$ 297,687,449	$ 18,562,781

*Compensated absences are reported as a net change for the year as allowed under the provisions of GASB 101, paragraph 30. Beginning balance is restated for the implementation of GASB 101, *Compensated Absences* .

A summary of the terms of certificates of obligation and revenue bonds recorded in the enterprise funds as of September 30, 2025 follows:

Description	Original Issue	Matures	Interest Rates (%)	Balance
Utility Fund				
Series 2013 Water/sewer revenue bonds	$ 15,765,000	2033	2.50-4.00	$ 7,575,000
Series 2015 Water/sewer revenue refunding bonds	15,750,000	2035	3.00-5.00	7,800,000
Series 2016 Water/sewer revenue refunding bonds	31,710,000	2036	2.00-5.00	14,260,000
Series 2016 Certificates of obligation	1,620,000	2036	2.00-4.00	1,030,000
Series 2017 Water/sewer revenue bonds	19,780,000	2037	3.00-5.00	13,685,000
Series 2017 General obligation refunding bonds	78,195,000	2041	3.00-5.00	65,815,000
Series 2019 Water/sewer revenue bonds	13,660,000	2039	3.00-5.00	10,150,000
Series 2020 Water/sewer revenue bonds	6,835,000	2039	3.00-5.00	5,425,000
Series 2021 Water/sewer revenue refunding bonds	23,385,000	2041	2.00-5.00	16,635,000
Series 2022 Water/sewer revenue bonds	21,820,000	2042	4.00-5.00	18,535,000
Series 2022A Water/sewer revenue bonds	15,555,000	2043	4.375-6.00	13,995,000
Series 2024 Water/sewer revenue bonds	19,100,000	2044	4.00-5.00	18,145,000
Series 2025 Water/sewer revenue bonds	64,545,000	2055	5.00%	64,545,000
Total Utility Fund				257,595,000
Airport Fund				
Series 2013 Certificates of obligation	$ 730,000	2033	2.00-4.00	$ 245,000
Series 2015 Certificates of obligation	1,670,000	2035	3.00-4.00	990,000
Series 2015 General obligation refunding bonds	2,820,000	2028	2.00-5.00	880,000
Series 2016 General obligation refunding bonds	225,000	2029	4.00-5.00	80,000
Series 2017 Certificates of obligation	2,055,000	2037	3.00-5.00	1,445,000
Series 2019A Certificates of obligation	1,690,000	2039	2.50-4.00	1,350,000
Series 2021 General obligation refunding bonds	2,055,000	2041	2.00-5.00	-
Series 2023 Certificates of obligation	6,235,000	2043	4.00-5.00	5,605,000
Total Airport Fund				10,595,000
Total business-type activities bonds payable				$ 268,190,000

The annual requirements to amortize business-type activity revenue bonds, certificates of obligation, and general obligation bonds outstanding at September 30, 2025, are as follows:

	Business-Type Activities					
Year Ending	General Obligation			Certificates of Obligation		
September 30,	Principal	Interest	Total	Principal	Interest	Total
2026	$ 3,180,000	$ 2,658,869	$ 5,838,869	$ 685,000	$ 415,694	$ 1,100,694
2027	3,340,000	2,495,869	5,835,869	700,000	384,982	1,084,982
2028	3,500,000	2,324,969	5,824,969	715,000	354,929	1,069,929
2029	3,355,000	2,153,794	5,508,794	725,000	324,407	1,049,407
2030	3,500,000	1,982,519	5,482,519	745,000	293,341	1,038,341
2031	3,670,000	1,803,269	5,473,269	750,000	262,761	1,012,761
2032	3,850,000	1,634,519	5,484,519	765,000	232,913	997,913
2033	4,010,000	1,477,319	5,487,319	740,000	203,197	943,197
2034	4,170,000	1,313,719	5,483,719	750,000	173,813	923,813
2035	4,340,000	1,143,519	5,483,519	770,000	144,672	914,672
2036	4,515,000	966,419	5,481,419	665,000	116,788	781,788
2037	4,705,000	782,019	5,487,019	565,000	91,959	656,959
2038	4,905,000	589,819	5,494,819	425,000	72,656	497,656
2039	5,080,000	412,344	5,492,344	425,000	57,309	482,309
2040	5,245,000	251,016	5,496,016	310,000	43,400	353,400
2041	5,410,000	84,531	5,494,531	310,000	31,000	341,000
2042	-	-	-	310,000	18,600	328,600
2043	-	-	-	310,000	6,200	316,200
Totals	$ 66,775,000	$ 22,074,513	$ 88,849,513	$ 10,665,000	$ 3,228,621	$ 13,893,621

Year Ending September 30,	Business-Type Activities Revenue Bonds Principal	Interest	Total
2026	$ 13,300,000	$ 9,179,081	$ 22,479,081
2027	13,315,000	8,008,625	21,323,625
2028	13,675,000	7,374,350	21,049,350
2029	12,855,000	6,729,138	19,584,138
2030	11,245,000	6,147,288	17,392,288
2031	11,265,000	5,655,238	16,920,238
2032	9,925,000	5,161,188	15,086,188
2033	10,085,000	4,740,163	14,825,163
2034	9,130,000	4,312,400	13,442,400
2035	9,225,000	3,920,106	13,145,106
2036	8,465,000	3,524,581	11,989,581
2037	8,095,000	3,150,794	11,245,794
2038	6,790,000	2,802,975	9,592,975
2039	6,845,000	2,504,600	9,349,600
2040	5,465,000	2,213,663	7,678,663
2041	5,465,000	1,980,556	7,445,556
2042	4,970,000	1,741,306	6,711,306
2043	3,880,000	1,514,744	5,394,744
2044	3,105,000	1,331,781	4,436,781
2045	2,150,000	1,182,500	3,332,500
2046	2,150,000	1,075,000	3,225,000
2047	2,150,000	967,500	3,117,500
2048	2,150,000	860,000	3,010,000
2049	2,150,000	752,500	2,902,500
2050	2,150,000	645,000	2,795,000
2051	2,150,000	537,500	2,687,500
2052	2,150,000	430,000	2,580,000
2053	2,150,000	322,500	2,472,500
2054	2,150,000	215,000	2,365,000
2055	2,150,000	107,500	2,257,500
Totals	$ 190,750,000	$ 89,087,577	$ 279,837,577

Utility Revenues Pledged
The City has pledged future waterworks and sewer system revenues, net of specified operating expenses, to repay $190.8 million in waterworks and sewer system revenue bonds, of which $64.5 million was issued during the current fiscal year and the remaining balance in prior fiscal years. Proceeds from the bonds provided financing for capital assets. The bonds are payable solely from the system net revenues and are payable through fiscal year 2055. Net revenues, as defined in the bond documents, for each year are expected to be at least equal to 1.1 times the principal and interest requirements of all outstanding previously issued bonds and additional bonds for the year. The total principal and interest remaining to be paid on the bonds at September 30, 2025 is $249.1 million. Principal and interest paid during fiscal year 2025 were $10.8 million and $5.9 million, respectively.

C. Component Unit Long-Term Debt

The following is a summary of the long-term debt transactions of the Sugar Land 4B Corporation for the year ended September 30, 2025:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Component Unit:					
Bonds payable:					
Sales tax revenue bonds	$ 17,705,000	$ -	$ (1,375,000)	$ 16,330,000	$ 1,160,000
Issuance premiums/discounts	1,716,926	-	(143,077)	1,573,849	-
Total bonds payable, net	19,421,926	-	(1,518,077)	17,903,849	1,160,000
Other liabilities:					
Obligation to State	4,801	-	(2,489)	2,312	-
Subscription liabilities	8,437	-	(8,437)	-	-
Total component unit	$ 19,435,164	$ -	$ (1,529,003)	$ 17,906,161	$ 1,160,000

A summary of the terms of the revenue bonds recorded as long-term liabilities in the Sugar Land 4B Corporation as of September 30, 2025, follows:

Description	Original Issue	Matures	Interest Rates (%)	Balance
Series 2019 Sales tax revenue refunding bonds	$ 24,725,000	2036	3.00-5.00	$ 16,330,000
Total component unit long-term debt				$ 16,330,000

The annual requirements to amortize component unit revenue bonds outstanding at September 30, 2025, are as follows:

Year Ending September 30,	Sugar Land 4B Corporation Revenue Bonds Principal	Interest	Total
2026	$ 1,160,000	$ 577,550	$ 1,737,550
2027	1,230,000	517,800	1,747,800
2028	1,300,000	454,550	1,754,550
2029	1,365,000	394,750	1,759,750
2030	1,430,000	338,850	1,768,850
2031	1,490,000	280,450	1,770,450
2032	1,555,000	227,325	1,782,325
2033	1,610,000	179,850	1,789,850
2034	1,670,000	130,650	1,800,650
2035	1,730,000	79,650	1,809,650
2036	1,790,000	26,850	1,816,850
Totals	$ 16,330,000	$ 3,208,275	$ 19,538,275

D. Debt Issuances and Prior Defeased Debt

In prior years, the City legally defeased certain bonds and certificates of obligation by placing cash and/or proceeds of refunding bond issues in an irrevocable trust to provide for all future debt services payments on the refunded debt. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. As of September 30, 2025, there were no outstanding balances of defeased bonds.

On June 1, 2025, the City issued General Obligation Bonds, Series 2025, in the par amount of $26,300,000; and Waterworks & Sewer System Revenue Bonds, Series 2025, in the par amount of $64,545,000. On May 1, 2025, the City issued Combination Tax and Revenue Certificates of Obligation, Series 2025, in the par amount of $48,390,000; The General Obligation bonds and Waterworks & Sewer System Revenue bonds closed on June 18, 2025. The Certificates of Obligation bonds closed on May 14, 2025.

Proceeds from the General Obligation bonds were used to pay the costs associated with issuances and will be used for the construction or acquisition of and/or improvements to the City's public safety facilities and the City's streets, traffic and related drainage; renovations or improvements to and/or equipment of the City's existing buildings; and the cost of professional services incurred in connection therewith.

Proceeds from the Certificates of Obligation issuances were used to pay the costs associated with issuances and will be used for the restoration of historic structures within the City's Imperial Historic District, the construction or acquisition of and/or improvements to the City's utility system, the construction or acquisition of and/or improvements to the City's streets and related drainage, and the cost of professional services incurred in connection therewith.

Proceeds from the Waterworks & Sewer System bond issuance were used to pay the costs associated with issuance, and will be used for water, wastewater and surface water improvements.

Bonds Authorized and Unissued
The following is a schedule of authorized but unissued bonds at September 30, 2025:

	Date of Authorization	Amount Authorized	Issued to Date	Authorized but Unissued
GO Bond projects	11/5/2019	$ 6,600,000	$ 2,050,000	$ 4,550,000
GO Bond projects	11/5/2024	350,000,000	25,650,000	324,350,000

E. Legal Compliance

Long-term debt assumed by the City upon dissolution of MUDs in previous years has been recorded as part of the City's long-term debt. A portion of the assumed debt is related to assets recorded in the Utility Fund. Even though the debt is related to assets recorded in the Utility Fund, the debt is considered general obligation debt based on Texas law. The dissolved area debt will be retired with tax revenue and operating transfers from the Utility Fund. The transfers from the Utility Fund to the Debt Service Fund are not intended to service specific general obligation debt. During the year, at the discretion of City Council, the Utility Fund made a transfer to the Debt Service Fund as indicated in Note 7 of $3.568 million.

F. Federal Arbitrage

In accordance with the provisions of Section 148(f) of the Internal Revenue Code 1986, as amended, bonds must satisfy certain arbitrage rebate requirements. Positive arbitrage is the excess of (1) the amount earned on investments purchased with bond proceeds over (2) the amount that such investments would have earned had such investments been invested at a rate equal to the yield on the bond issue. In order to comply with the arbitrage rebate requirements, positive arbitrage must be paid to the U.S. Treasury at the end of each five-year anniversary date of the bond issue. For the fiscal year ended September 30, 2025, the City has recorded arbitrage liability of $1,699,864 in the governmental activities and $793,769 arbitrage liability in the business-type activities.

Note 6. Fund Balance

Minimum Fund Balance Policy
The Council has adopted a financial policy to maintain a minimum level of unassigned fund balance in the General Fund. The target level is set at three months of General Fund operating expenditures (approximately 25%). This amount is intended to provide fiscal stability when economic downturns and other unexpected events occur. If the fund balance exceeds this amount, the amount in excess of policy requirements may be utilized to fund one-time expenditures in the next fiscal year's budget. If fund balance falls below the minimum target level because it has been used, essentially as a "revenue" source, as dictated by current circumstances, the policy provides for actions to replenish the amount to the minimum target level. Generally, replenishment is to occur within a two-year period.

Restricted, Committed, and Assigned Fund Balance
The City records fund balance restrictions at the fund level to indicate that a portion of the fund balance is legally restricted for a specific future use or to indicate that a portion of the fund balance is not available for expenditures.

Fund balance restrictions in the governmental funds as of September 30, 2025, are as follows:

Restricted Fund Balance	Amount	Purpose
Debt Service Fund	$ 16,955,353	Debt service activities
Capital Projects Fund	$ 138,557,811	Construction and acquisition of capital assets
Nonmajor governmental funds	$ 32,734	General government activities
	8,589,457	Debt service activities
	27,350,891	Economic development activities
	1,554,257	Public safety
	4,214,507	Tourism and marketing
	210,880	Environmental and neighborhood services
	$ 41,952,726	

The committed and assigned fund balances reported in the General Fund are for various operating activities encumbered but not completed at year-end and have been approved by City Council and management respectively. The programs or functions for which these amounts have been committed or assigned are as follows:

Program or Function	Committed	Assigned
General government	$ 662,939	$ 138,117
Administrative service	-	-
Public works	250,948	7,460
Parks and recreation	20,243	64,248
Community development	-	14,849
Environmental and neighborhood services	4,563	165,763
Public safety - Police	-	40,192
Public safety - Fire	-	47,216
Capital Outlay	-	-
	$ 938,693	$ 477,845

The assigned fund balances reported in the Capital Projects Fund and nonmajor governmental funds are for various capital projects.

Note 7. Interfund Transactions

The composition of interfund transfers for the year ended September 30, 2025 is as follows:

Transfers In	Transfers Out	Amounts	Purpose
General Fund	Solid Waste Fund	$ 309,000	Street rehabilitation projects from franchise fees
Debt Service Fund	Tourism Fund	685,175	HOT transfer for Marriott Conf. Center, TIRZ#4 Plaza & Smart Financial Center debts
	Utility Fund	3,567,094	100% of water/wastewater debt on assumed MUD debt
	Enclave at River Park PID - Special Revenue Fund	98,788	PID debt service
	Sugar Land Development Corporation	659,106	Transfer to pay debt service
		5,010,163	
Airport Fund	General Fund	297,585	Transfer of property taxes collected on Airport value
	Sugar Land Development Corporation	50,000	SLDC transfer to Airport for international marketing
	Debt Service Fund	217,857	Transfer of property taxes collected on Airport value
		565,442	
Public Arts - Special Revenue Fund	General Fund	35,000	Transfer to fund Public Art projects
Enclave at River Park PID - Special Revenue Fund	Debt Service Fund	39,777	City Contribution of 50% of property tax in PID
	General Fund	55,553	
		95,330	
Utility Fund	Enclave at River Park PID - Special Revenue Fund	34,531	PID debt service
	Totals	$ 6,049,466	

Note 8. Deferred Compensation Plan

The City maintains for its employees a tax-deferred compensation plan meeting the requirements of Internal Revenue Code Section 457. The plan was established in the 1995 fiscal year by City Ordinance and Nationwide Retirement Solutions and SBC Retirement Corporation were the initial third-party administrators. In 2007, ICMA was appointed as an additional third-party administrator. The deferred compensation is not available to employees until termination, retirement, or death. However, while employed, deferred compensation may be available to employees in an unforeseen emergency or under certain loan provisions. The plan's trust arrangements are established to protect deferred compensation amounts of employees under the plan from any use other than intended under the plan (eventual payment to employees deferring the compensation) in accordance with federal tax laws. Amounts of compensation deferred by employees under plan provisions are disbursed bi-weekly by the City to selected third-party administrators. The third-party administrators handle all funds in the plan and make investment decisions and disburse funds to employees in accordance with plan provisions.

Note 9. Employee Retirement System

Texas Municipal Retirement System

Plan Description and Provisions

The City participates as one of 938 plans in the defined benefit cash-balance pension plan administered by the TMRS. TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the "TMRS Act") as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available annual comprehensive financial report that can be obtained at www.tmrs.com.

All eligible employees of the City are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated based on the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest. Members may choose to receive their retirement benefit in one of seven monthly benefit payments options. Members may also choose to receive a portion of their benefit as lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's total contributions and interest.

On the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are 200% of the employee's accumulated contributions.

A summary of plan provisions for the City is as follows:

Employee deposit rate	7.00%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 Years
Updated service credit	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating
Supplemental death benefit - active employees and retirees	Yes

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits	381
Inactive employees entitled to but not yet receiving benefits	485
Active employees	892
	1,758

Contributions
The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the State law governing TMRS, the contribution rate for each City is determined annually by the consulting actuary, using the Entry Age Normal (EAN) actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 14.59% and 15.01% in calendar years 2024 and 2025, respectively. For fiscal year 2025, the City made contributions of $12,129,765, which were equal to the required contributions.

Net Pension Liability
The City's net pension liability was measured as of December 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions
The total pension liability in the December 31, 2024, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment rate of return	6.75%, net of pension plan investment expense, including

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale MP-2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of the expected return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Global equity	35%	7.1%
Core fixed income	6%	5.0%
Non-core fixed income	6%	6.8%
Hedge funds	5%	6.4%
Private equity	13%	8.5%
Private debt	13%	8.2%
Real estate	12%	6.7%
Infrastructure	6%	6.0%
Other public and private markets	4%	7.3%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member 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 and inactive members. 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.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2023	$ 363,673,652	$ 328,545,162	$ 35,128,490
Changes for the year:			
Service cost	14,624,233	-	14,624,233
Interest	24,572,639	-	24,572,639
Difference between expected	-	-	
and actual experience	8,045,497	-	8,045,497
Changes in assumptions	-	-	-
Employer contributions	-	11,697,782	(11,697,782)
Employee contributions	-	5,612,370	(5,612,370)
Net investment income	-	34,185,417	(34,185,417)
Benefit payments, including refunds of employee contributions	(13,893,348)	(13,893,348)	-
Administrative expense	-	(218,936)	218,936
Other changes	-	(5,120)	5,120
Net changes	33,349,021	37,378,165	(4,029,144)
Balance at December 31, 2024	$ 397,022,673	$ 365,923,327	$ 31,099,346

Sensitivity of the Net Pension Liability

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate:

	1% Decrease to 5.75%	Current Single Discount Rate Assumption 6.75%	1% Increase to 7.75%
City's net pension liability	$ 90,961,040	$ 31,099,346	$ (17,675,367)

Pension Plan Fiduciary Net Position
Detailed information about the pension plan's fiduciary net position is available in a separately issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
For the year ended September 30, 2025, the City recognized pension expense of $13,645,946.

At September 30, 2025, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 8,852,907	$ -
Changes in actuarial assumptions used	-	826,414
Differences between projected and actual investment earnings		4,018,695
Contributions subsequent to the measurement date	8,739,929	-
Totals	$ 17,592,836	$ 4,845,109

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of $8,739,929 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2025 (i.e., recognized in the City's fiscal year 2026 financial statements). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense in the City's fiscal years as follows:

Year Ending September 30,	Net Deferred Outflows (Inflows) of Resources
2026	$ 2,480,657
2027	5,663,651
2028	(3,397,715)
2029	(738,795)
2030	-
Totals	$ 4,007,798

Note 10. Other Postemployment Benefits Plans

In addition to the pension plan discussed in Note 9, the City offers other postemployment benefits (OPEBs) through two plans: Texas Municipal Retirement System's Supplemental Death Benefits Fund, and the City's single-employer Retiree Health Care Plan.

Plan Descriptions

TMRS Supplemental Death Benefits Fund (SDBF)
The City participates in the single-employer defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for $7,500; this coverage is an OPEB. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

The retiree portion of contribution rates to the SDBF for the City was 0.06% in calendar year 2024 and 0.06% in calendar year 2025. The City's contributions to the SDBF for fiscal year 2024 were $48,877, which were equal to the required contributions.

Retiree Health Care Plan (RHCP)
The City's other defined benefit OPEB plan, City of Sugar Land Retiree Health Care Plan (RHCP), provides OPEB through an implicit healthcare premium for retirees for all permanent full-time employees of the City. RHCP is a single employer defined benefit OPEB plan administered by the City. At this time, no assets are accumulated in a trust to fund the future requirements of the RHCP.

RHCP provides access to post retirement employees by offering a "blended premium" structure, that is, the overall health care premiums for active employees and non-Medicare retirees, are stated in terms of a single "blended premium". The difference between the underlying retiree claims and the blended overall health care premium is referred to as an "implicit" subsidy. Because the underlying claims costs for a non-Medicare retiree are on average higher than the blended premium, there is a positive implicit subsidy for the non-Medicare retirees.

Total OPEB Liability

The City's total OPEB liability for each of its OPEB plans was measured as of December 31, 2024. The actuarial valuation date for the SDBF was December 31, 2024, and the valuation for RHCP was performed as of December 31, 2023 and update procedures were performed to roll forward the total OPEB liability to December 31, 2024. The total OPEB liabilities reported in the City's September 30, 2025 financial statements were as follows:

SDBF	$ 1,945,682
RHCP	6,866,205
	$ 8,811,887

Membership in the plans as of the measurement date of December 31, 2024 was as follows:

	SDBF	RHCP
Inactive plan members or beneficiaries currently receiving benefits	298	13
Inactive plan members entitled to but not yet receiving benefits	171	-
Active employees	892	867
Total plan members	1,361	880

Actuarial Methods and Assumptions

The total OPEB liabilities were determined using the following actuarial assumptions and other inputs.

Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Discount rate	4.08% - based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2024.

The actuarial assumptions used in the December 31, 2024, valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

The retiree's share of benefit-related costs for the SDBF OPEB is assumed to be $0, and the healthcare trend cost rate for the RHCP actuarial valuation is assumed at an initial rate of 7.00%, declining to an ultimate rate of 4.25% after 15 years.

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements subject to the floor. The Entry Age Normal actuarial cost method is used.

The OPEB plans are treated as unfunded plans because 1) the SDBF trust covers both actives and retirees and the assets are not segregated for these groups, and 2) the RHCP plan is a pay-as-you go plan.

Changes in the Total OPEB Liability

	SDBF	RHCP
Service cost	$ 96,212	$ 604,053
Interest	73,854	266,542
Changes in benefit terms	-	-
Difference between expected and actual experience	7,156	(998,082)
Changes in assumptions or other inputs	(118,424)	309,154
Benefit payments	(48,106)	(166,911)
Net changes	10,692	14,756
Total OPEB liability - beginning	1,934,990	6,851,449
Total OPEB liability - ending	$ 1,945,682	$ 6,866,205

Sensitivity Analysis

The following presents the City's total OPEB liabilities calculated using the discount rate of 4.08%, as well as what the liabilities would be if they were calculated using a discount rate that is 1 percentage point lower (3.08%) or 1 percentage point higher (5.08%) than the current rate.

	1% Decrease to 3.08%	Current Discount Rate Assumption 4.08%	1% Increase to 5.08%
SDBF	$ 2,365,759	$ 1,945,682	$ 1,623,372
RHCP	7,638,541	6,866,205	6,180,686

The following presents the RHCP plan's total OPEB liability, calculated using the assumed trend rates as well as what the plan's total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher. Note that the healthcare cost trend rate does not affect the total SDBF OPEB liability, therefore the sensitivity to the healthcare cost trend rate is not shown for SDBF.

	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
RHCP	$ 5,951,662	$ 6,866,205	$ 7,969,379

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended September 30, 2025, the City recognized OPEB expense of $111,332 relating to the SDBF plan and OPEB expense of $815,662 relating to the RHCP plan. Total OPEB expense for the two plans was $926,994.

As of September 30, 2025, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	SDBF		RHCP	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 43,582	$ 50,100	$ 179,915	$ 1,213,447
Changes in assumptions and other inputs	275,031	678,317	668,756	449,338
Contributions subsequent to the measurement date	34,936	-	112,870	-
Total	$ 353,549	$ 728,417	$ 961,541	$ 1,662,785

Total OPEB deferred outflows:	$ 1,315,090
Total OPEB deferred inflows:	$ 2,391,202

The amounts reported as deferred outflows of resources resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ending September 30, 2026.

Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense in the City's fiscal years as follows:

	Net Deferred Outflows (Inflows) of Resources	
Year Ending September 30,	SDBF	RHCP
2026	$ (62,361)	$ (54,931)
2027	(72,177)	(54,931)
2028	(120,509)	(73,059)
2029	(132,193)	(97,977)
2030	(14,323)	(116,174)
Thereafter	(8,241)	(417,042)
Totals	$ (409,804)	$ (814,114)

Changes Since the Prior Actuarial Valuation
The following were changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liabilities since the prior measurement period: the discount rate changed from 3.77% as of December 31, 2023 to 4.08% as of December 31, 2024. This change increased the total OPEB liabilities.

Note 11. Contracts with Special Districts

Agreements with Utility Districts

The City has entered into utility agreements with six Municipal Utility Districts (First Colony MUD No. 10, Fort Bend MUDs No. 136, 137, 138, 139 and Burney Road MUD) (the "Districts"), which are within the City's boundaries. The Districts are to acquire and construct water, wastewater, and drainage facilities to serve the area within the Districts and may issue bonds to finance such facilities. These utility agreements provide the following:

> As water, wastewater and drainage facilities are acquired and constructed the Districts will transfer the facilities to the City, reserving a security interest therein for the purpose of securing performance of the City under the agreements. At such time as the bonds of the Districts are discharged, the Districts will release the security interest, and the City will own the improvements.
>
> The water and wastewater rates charged by the City will be equal and uniform to those charged other similar users within the City, with all revenues belonging exclusively to the City.
>
> The City has agreed to pay the Districts a tax rebate of the ad valorem taxes collected on land and improvements within the Districts. The rebates for the year ended September 30, 2025, were approximately $5.5 million. Estimated payments for the year ending September 30, 2026 budget are $7.0 million.

The City has entered into agreements with various MUDs, Fort Bend County and the City's extraterritorial jurisdiction (ETJ) to provide fire services within the developments of Tara and Riverstone subdivisions. The districts pay a fee for these services. In addition, Fort Bend County reimburses the City for calls made into the unincorporated areas of the County. The City estimates to have received $1.2 million from the participating MUDs and Fort Bend County in the year ended September 30, 2025, in connection with these agreements.

Note 12. Lease Agreements

The City is a lessor in noncancelable lease agreements for certain facilities and properties. With certain exclusions, the present value of future minimum lease payments as of September 30, 2025, is recorded as lease receivable in the government-wide and fund financial statements. Inflows of resources from lease agreements which are included in the measurement of the lease receivable balance as of September 30, 2025, are as follows:

	Lease Revenue - Base	Lease Revenue - Variable	Interest Revenue	Total Inflows of Resources
Included in lease receivable:				
Primary government:				
Smart Financial Centre at Sugar Land	$ 1,311,852	$ 450,081	$ 529,879	$ 2,291,812
Other	35,134	-	3,896	39,030
	$ 1,346,986	$ 450,081	$ 533,775	$ 2,330,842
Component unit - Sugar Land 4b Corporation:				
Sugar Land Baseball, LLC	$ 65,736	$ -	$ 40,036	$ 105,772

For lease agreements which are included in the balance of lease receivable, lease revenue – base represents revenue recognized on a straight-line basis over the applicable term of the agreement. Variable payments above the base amount are not included in the measurement of the lease receivable.

The City is also a lessor under certain regulated leases, which are excluded from the measurement of the lease receivable balance. For the year ended September 30, 2025, inflows of resources (revenues) from regulated leases were $1,700,136.

See below for further information regarding selected lease agreements.

Smart Financial Centre at Sugar Land
The Smart Financial Centre at Sugar Land reached substantial completion December 9, 2016 and the lease with ACE SL, LLC began December 14, 2016 under the terms of the first amendment to the development agreement and execution of lease agreement approved by City Council on October 28, 2014. The lease of the facility is for a term of 30 years from lease commencement date with lease payments due monthly in arrears. The lease agreement defines base rent, additional base rent, parking fees and participation rent and how each is calculated and when due to the City.

ACE SL, LLC is responsible for all operations and maintenance of the Smart Financial Centre at Sugar Land during the term of the lease. The lease payments are based on the following calculation: Base Rent: 1/12 of the annual debt service requirement for the Series 2014A Taxable Certificates of Obligation issued by the City to fund a portion of the project construction. Base rent is payable in arrears on the first day of the following month without demand. The rent payment resets each January 1 for the term of the lease. Beginning in the third year of the lease, and until a debt service reserve equal to the last three years debt service payments, the base rent increases to 125% of the annual debt service requirement. Additionally, the City is entitled to additional rent based on ticket sales and a 20% share of parking fees.

In 2020, a second amendment to the lease was approved in response to provide relief caused by the COVID-19 pandemic and therefore the temporary closure of the venue for the remainder of 2020. The limited rental relief is fully offset through utilization of the existing reserve cash balance and included reductions to rent and reserve contributions while the facility was closed due to COVID-19. Lease payments returned to normal in April 2021. To provide additional security, the City increased the reserve requirement to an amount equal to the final four years of debt service payments, and has a Letter of Credit on file for $6.4 million with the City listed as beneficiary.

The City received $22,454 in additional participation rent in the fiscal year ended September 30, 2025. The City received $427,627 for its 20% share of parking revenue and $0 in capital fund contributions from ATG in the fiscal year ended September 30, 2025.

Sugar Land Baseball, LLC
In 2010, the City of Sugar Land entered into a twenty five year lease agreement with Sugar Land Baseball, LLC for the rental of the Constellation Field (baseball stadium) for participation in the Atlantic Baseball League, an independent minor league.

In April 2021, the lease was amended and SL Baseball, LLC assigned the 100% of the lease to Sugar Land Astros LLC. Sugar Land Astros LLC owns the "Sugar Land Space Cowboys" (formerly the "Sugar Land Skeeters"), a minor league baseball team and the AAA affiliate of the Houston Astros. The lease for Constellation Field has been extended through December 31, 2045.

The base annual rent of $80,000 is due to the City January 1st each lease year. Beginning on January 1, 2021 and continuing for lease years for the remainder of the term, SL Astros LLC shall pay to the City annually (in addition to base rent) participation rent equal to ten percent (10%) of all gross revenues from ticket sales, suite license sales and naming rights payments collected in a lease year in excess of $3.8 million.

The City deposited $1 million into the Capital Fund. The City, through the Sugar Land 4B Corporation agreed to contribute a total of $10 million over a 5 year period for payment of approved capital expenses.

- 2021: $2,500,000
- 2022: $2,500,000
- 2023: $1,000,000
- 2024: $2,000,000
- 2025: $2,000,000

In 2025, the City received $0 in addition to the base rent.

Sugar Land Hotel Associates, L.P.
In 2002, the Sugar Land Town Square Development Authority (the "Authority") entered into a ninety-nine year lease agreement with Sugar Land Hotel Associates, L.P. (the "Tenant") for the rental of the Sugar Land Conference Center and Parking Garage (the "Property"), owned by the Authority. The Tenant has the right to use the Property and has agreed to operate the Property in a "first class manner," as defined in the lease agreement, paying the Authority a base rent of $1 per lease year, plus an incentive rent, as determined by the lease agreement, within 15 days after the Authority's receipt of an annual statement that presents the net cash flow and any net sale proceeds for the preceding lease year.

Houston Museum of Natural Science
In 2008, the City of Sugar Land entered into a fifty-year lease agreement with the Houston Museum of Natural Science for the improvement and lease of the 43,000 square foot Central State Farm Prison building and surrounding 5.5 acres of land for a rate of $1 per year. The Museum may only use and occupy the leased premises to serve as a museum for public displays and uses typical of a museum of natural science. The lease outlines contributions by both the City and Museum for improvements of the building for use as a museum.

Fort Bend Children's Discovery Center
On March 27, 2020, the City assumed ownership of the Container Warehouse at Imperial and as part of the sale the lease with the Fort Bend Children's Discovery Center was transferred to the City. The agreement is for the lease of 12,000 square feet located on the first floor of the Container Warehouse building and a 3,000 square foot outside playground area. The lease agreement began in 2016 and runs for 99 years at the cost of $1 per year.

Regulated Leases
The City, through the Regional Airport, is a lessor in regulated leases for airport hangars, characterized as aeronautical agreements. The leased hangars are subject to preferential or exclusive use by the lease counterparties.

Expected future minimum payments under these agreements are as follows:

Year	Expected Minimum Payment
2026	$ 641,210
2027	577,544
2028	574,964
2029	535,601
2030	507,006
2031-2035	2,380,305
2036-2040	2,115,834
2041-2045	1,077,386
2046-2050	725,055
2051-2052	42,492
	$ 9,177,397

The City is a lessee in a noncancelable lease agreement for license-plate recognition cameras. The City recognizes lease liabilities for its payment obligations under lease contracts, which convey to the City the right to use property and/or equipment owned by another party. With certain exclusions, the present value of future minimum lease payments is recorded as lease liability in the government-wide financial statements. For the year ended September 30, 2025, outflows of resources from leases which are included in the measurement of the lease liability balance as of September 30, 2025, are as follows:

	Fixed Payments			
	Principal Component	Interest Component	Variable Payments	Total Outflows of Resources
Included in lease liability:				
Primary government:				
Equipment - cameras	$ 611,896	$ 33,668	$ -	$ 645,564

Principal and interest requirements to maturity as of September 30, 2025, are as follows:

Year	Principal	Interest	Total
2026	$ 555,568	$ 78,856	$ 634,424
2027	572,175	62,250	634,425
2028	589,288	45,137	634,425
2029	131,174	27,500	158,674
2030	135,402	23,273	158,675
2031-2034	586,682	48,021	634,703
	$ 2,570,289	$ 285,037	$ 2,855,326

Note 13. Commitments and Contingencies

Economic Development Grant Commitments

The Sugar Land Development Corporation has committed economic development grants or incentives to various companies in targeted industries to be paid in the future on the condition that certain agreed upon criteria are met. The amounts currently committed are as follows:

Fiscal Year	Grant Commitments
2026	$ 2,870,426
2027	3,555,426
2028	310,426
2029	310,426
2030	310,426
2031	199,226
2032	189,000
Totals	$ 7,745,356

Litigation and Other Contingencies

The City was involved in various lawsuits and arbitration proceedings at September 30, 2025. The City and its legal counsel believe that any amounts which the City might ultimately be required to pay will not exceed underlying insurance coverage.

Federally Assisted Programs – Compliance Audits

The City receives various grants, which are subject to audit by the respective agencies. Subsequent audits may disallow expenditures financed by government grants. It is the opinion of management that any disallowed expenditures, based on prior audit experience, will not be material in relation to the City's financial statements as of September 30, 2025.

Brooks Lake Diversion Weir Agreement

The City and Gulf Coast Water Authority (GCWA) both have water rights to rainwater runoff in the Oyster Creek basin. A settlement agreement was approved in 2012 regarding use of this water by the City. One of the ancillary items to this settlement was the Amil Gates. The Amil Gates structure was constructed in the early 1970's as a flood control structure to operate in coordination with the dam system along Oyster Creek. The Amil Gates are hydraulically activated during high water events to maintain a maximum flood elevation in Oyster Creek.

The gates operate at a high efficiency as it relates to flooding, but they naturally release flow due to the design and type of construction. The gates were never envisioned to be a watertight structure. Over the last decade, there have been concerns expressed by GCWA related to the condition of the Amil Gates and the water leakage that occurs when the gates are in a normally closed position. A cost sharing agreement was approved in July 2014 between the City and GCWA to address the leaking gates. Design work began in 2015 and was stopped due to probable construction costs exceeding available funding. Alternatives were then considered, and a re-examination of the design approach was pursued in early 2016. A new design option with probable construction costs in line with available funds was agreed to between the City and GCWA.

In January 2017, GCWA's board of directors unanimously approved the agreement to pay 50% of the estimated project cost of $4,387,990 over period of 10 years. GCWA will reimburse the City in the form of payments or in raw water credits.

The City completed construction of the Brooks Lake Diversion Weir system to replace the existing Amil Gates in 2019, at an actual cost of $4,241,402; GCWA's 50% portion is $2,120,701. To date, the City has received $1,800,540 from GCWA with payment of $50,540 in fiscal year 2025.

Note 14. Subscription Liabilities

The City recognizes subscription liabilities for its payment obligations under subscription-based information technology arrangements (SBITAs), which convey to the City the right to use another party's information technology software. The City's SBITAs include enterprise software, cloud-based services and other software packages. With certain exclusions, the present value of future minimum subscription payments is recorded as a subscription liability in the government-wide financial statements.

For the year ended September 30, 2025, outflows of resources from SBITAs which are included in the measurement of the subscription liability balance as of September 30, 2025, are as follows:

	Fixed Payments			
	Principal Component	Interest Component	Variable Payments	Total Outflows of Resources
Included in subscription liability:				
Governmental activities :				
Software - subscriptions	$ 2,273,752	$ 147,341	$ -	$ 2,421,093
Business-type activities :				
Software - subscriptions	$ 100,005	$ 1,284	$ -	$ 101,289
Discretely presented component units:				
Software - subscriptions	$ 8,437	$ 313	$ -	$ 8,750

Governmental activities principal and interest requirements to maturity as of September 30, 2025, are as follows:

Year	Principal	Interest	Total
2026	$ 1,975,849	$ 126,173	$ 2,102,022
2027	1,442,529	67,487	1,510,016
2028	798,488	25,136	823,624
2029	3,417	20	3,437
	$ 4,220,283	$ 218,816	$ 4,439,099

Business-type activities principal and interest requirements to maturity as of September 30, 2025, are as follows:

Year	Principal	Interest	Total
2026	$ 92,137	$ 10,019	$ 102,156
2027	94,653	7,503	102,156
2028	97,238	4,918	102,156
2029	79,764	2,262	82,026
	$ 363,792	$ 24,702	$ 388,494

Note 15. Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; airport operations, law enforcement operations, cyber security, pollution; injuries to employees; and natural disasters. The City's Risk Management Program manages these risks, which are covered by Liability, Property and Crime and Fidelity commercial insurance purchased from Texas Municipal League Intergovernmental Risk Pool (“TMLIRP”), and through commercial insurance carriers. The participation of the City in TMLIRP is for payment of premiums, insurance claims above the City’s deductibles and loss control services. The City has various levels of deductibles for these coverages with the maximum deductible set at $10,000. The City has not had any significant reduction in insurance coverage, and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years. The City also provides Workers' Compensation insurance on its employees and volunteers through TMLIRP. Workers' Compensation premiums are subject to change each year when audited by TMLIRP. As of September 30, 2025, the City believed the amounts paid on Workers' Compensation would not change significantly from the amounts recorded.

Employee Benefits Fund
Beginning January 1, 2012, the City started providing health benefits to its employees and dependents through a self-funded employee health benefit plan which is accounted for in the Employee Benefits Fund internal service fund. This fund is principally supported by contributions from the City and the employees. The City makes contributions to cover the majority of the premiums for employees, and the employees are required to make contributions to cover the remaining employee and dependent costs. The Employee Benefits Fund charges the City’s General Fund and enterprise funds for the City’s contributions. Payments of premiums and administrative fees are paid out of this fund. A third party administrator acting on behalf of the City processes health claim payments.

The City has obtained excess loss insurance which limits the City’s aggregate claims responsibility at 120% of expected claims and sets a deductible of $175,000 annually for any individual, with the exception of one known catastrophic claimant which was issued a “laser” deductible of $400,000 each for the plan year. Settled claims did not exceed insurance coverages in fiscal year 2025. Estimates of claims payable and of claims incurred, but not reported at September 30, 2025, are reflected as accrued expenses and claims and judgments of the Employee Benefits Fund. The liabilities include an amount for claims that have been incurred but were not reported until after September 30, 2025. Because actual claims liabilities depend on such complex factors as inflation, changes in legal requirements, and damage awards, the process used in computing claims liability is an estimate based on historical claims.

Note 16. Tax Abatements

In May 2018, the Sugar Land City Council approved Resolution No. 18-16, as required by Chapter 312 of the Texas Tax Code, to strengthen minimum guidelines and criteria governing tax abatement agreements in the City of Sugar Land. The City has an ad valorem tax abatement program that abates property taxes on new value created as a result of the proposed project, with possible abatements available from the City, Fort Bend County, and as applicable, other taxing jurisdictions. Tax abatement guidelines were renewed in 2020. Tax abatements benefit the City as the abatements are temporary, and result in investment in the City that would otherwise not occur.

To be eligible to receive a tax abatement the guidelines stipulate that the company must add, at minimum, a value of $4 million to the tax rolls, with the exact abatement percentage determined by a tiered structure related to the cumulative value of improvements and personal property. The City's maximum abatement duration is 10 years with abatement percentages ranging from 35% to 100%. To receive their abatement each year, companies must submit compliance documentation to the City as outlined in their respective tax abatement agreements. Compliance criteria may typically include, but are not limited to, the following requirements: minimum employee count, minimum average annual salary, minimum real, personal, and / or inventory value on tax roll, construction material / improvement receipts, minimum taxable sales, occupancy / lease requirements, and LEED certifications. Additionally, each company is required to submit their tax abatement application to the Fort Bend Central Appraisal District ("FBCAD") by April 30th of each year to receive their abatement. The FBCAD will apply the abatement after confirming with the City that no deductions need to occur, which would only happen if a company did not meet a certain requirement of their tax abatement agreement. Each agreement outlines how deductions will be calculated if the noncompliance does not automatically result in a default for that year. The City typically includes a recapture clause in tax abatement agreements that requires the company to return all property taxes abated under the agreement with interest and penalties to the City should the City have to terminate the agreement due to noncompliance issues. The Office of Economic Development performs an annual assessment of the compliance performance for companies receiving tax abatements.

The City has 7 active tax abatement agreements under contract for tax year 2024. These companies comprise $104.8 million in real and personal property values. They also provide $12.5 million in inventory values not subject to tax abatement. In tax year 2024, the City abated $76.9 million in improvements and personal property value, and the revenue received for real and personal property from these companies was $314,716.01 for tax year 2024.

APPENDIX C

FORMS OF BOND COUNSEL'S OPINIONS

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July __, 2026

WE HAVE ACTED as Bond Counsel for the City of Sugar Land, Texas (the "City") in connection with an issue of bonds (the "Bonds") described as follows:

CITY OF SUGAR LAND, TEXAS, GENERAL OBLIGATION BONDS, SERIES 2026, dated July 1, 2026, in the aggregate principal amount of $70,440,000.

The Bonds bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Bonds and in the ordinance (the "Ordinance") adopted by the City Council of the City authorizing their issuance.

WE HAVE ACTED as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Bonds from gross income under federal income tax law. In such capacity we have examined the Constitution and laws of the State of Texas; federal income tax law; and a transcript of certain certified proceedings pertaining to the issuance of the Bonds. The transcript contains certified copies of certain proceedings of the City; certain certifications and representations and other material facts within the knowledge and control of the City, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds. We have also examined executed Bond No. I-1 of this issue.

WE HAVE NOT BEEN REQUESTED to examine, and have not investigated or verified, any original proceedings, records, data or other material, but have relied upon the transcript of certified proceedings. We have not assumed any responsibility with respect to the financial condition or capabilities of the City or the disclosure thereof in connection with the sale of the Bonds.

BASED ON SUCH EXAMINATION, it is our opinion as follows:

(1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently in effect; the Bonds constitute valid and legally binding obligations of the City enforceable in accordance with the terms and conditions thereof, except to the extent that the rights and remedies of the owners of the Bonds may be limited by laws heretofore or hereafter enacted relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors of political subdivisions and the exercise of judicial discretion in appropriate cases; and the Bonds have been authorized and delivered in accordance with law; and

(2) The Bonds are payable, both as to principal and interest, from the receipts of an annual ad valorem tax levied, within the limits prescribed by law, upon taxable property

located within the City, which taxes have been pledged irrevocably to pay the principal of and interest on the Bonds.

BASED ON OUR EXAMINATION AS DESCRIBED ABOVE, it is further our opinion that, subject to the restrictions hereinafter described, interest on the Bonds (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum tax, and (c) is taken into account by applicable corporations (as defined in Section 59(k) of the Code) for the alternative minimum tax imposed on such corporations. The opinion in (a) and (b) of the preceding sentence is subject to the condition that there is compliance subsequent to the issuance of the Bonds with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be satisfied in order that interest thereon not be included in gross income for federal income tax purposes. The City has covenanted in the Ordinance to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. The Code and the existing regulations, rulings and court decisions thereunder, upon which the foregoing opinions of Bond Counsel are based, are subject to change, which could prospectively or retroactively result in the inclusion of the interest on the Bonds in gross income of the owners thereof for federal income tax purposes.

IN PROVIDING THE FOREGOING OPINIONS, we have relied upon representations of the City with respect to matters solely within the knowledge of the City, which we have not independently verified, and have assumed the accuracy and completeness thereof.

EXCEPT AS DESCRIBED ABOVE, we express no opinion as to any federal, state or local tax consequences under present law, or future legislation, resulting from the ownership of, receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations, such as the Bonds, may result in collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who are deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, and individuals otherwise qualified for the earned income credit. For the foregoing reasons, prospective purchasers should consult their tax advisors as to the consequences of investing in the Bonds.

THE OPINIONS SET FORTH ABOVE ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. Our services as Bond Counsel to the City have been limited to delivering the foregoing opinion based on our review of such proceedings and documents as we deem necessary to approve the validity of the Bonds and the tax-exempt status of the interest thereon. Our services have not included any financial or other non-legal advice. We express no opinion herein as to the financial resources of the City, its ability to provide for payment of the Bonds or the accuracy or completeness of any information, including the City's Preliminary Official Statement dated June 10, 2026 and its Official Statement dated June 16, 2026, that may have been relied upon by anyone in making the decision to purchase Bonds. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law or the interpretation thereof that may hereafter occur or become effective.

Very truly yours,

July __, 2026

WE HAVE ACTED as Bond Counsel for the City of Sugar Land, Texas, (the "City") in connection with an issue of certificates of obligation (the "Certificates") described as follows:

CITY OF SUGAR LAND, TEXAS COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026, dated July 1, 2026, in the aggregate principal amount of $16,040,000.

The Certificates bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Certificates and in the ordinance (the "Ordinance") adopted by the City Council of the City authorizing their issuance.

WE HAVE ACTED as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Certificates from gross income under federal income tax law. In such capacity we have examined the Constitution and laws of the State of Texas and a transcript of certain certified proceedings pertaining to the issuance of the Certificates, as described in the Ordinance. The transcript contains certified copies of certain proceedings of the City, certain certifications and representations and other material facts within the knowledge and control of the City, upon which we rely, and certain other customary documents and instruments authorizing and relating to the issuance of the Certificates. We have also examined executed Certificate No. I-1 of this issue.

WE HAVE NOT BEEN REQUESTED to examine, and have not investigated or verified, any original proceedings, records, data or other material, but have relied upon the transcript of certified proceedings. We have not assumed any responsibility with respect to the financial condition or capabilities of the City or the disclosure thereof in connection with the sale of the Certificates. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

BASED ON SUCH EXAMINATION, it is our opinion as follows:

(1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Certificates in full compliance with the Constitution and laws of the State of Texas presently in effect; the Certificates constitute valid and legally binding obligations of the City enforceable in accordance with the terms and conditions thereof, except to the extent that the rights and remedies of the owners of the Certificates may be limited by laws heretofore or hereafter enacted relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors of political subdivisions and the exercise of judicial discretion in appropriate cases; and the Certificates have been authorized and delivered in accordance with law; and

(2) The Certificates are payable, both as to principal and interest, from, and secured by, the proceeds of a continuing, direct annual ad valorem tax, levied within the limits prescribed by law, against taxable property within the City, which taxes have been pledged irrevocably to pay the principal of and interest on the Certificates; and

(3) The Certificates are further secured by a limited and subordinate pledge of the net revenues, in an amount not to exceed $10,000, of the waterworks and sanitary sewer system of the City.

THE REVENUES TO BE derived from the operation of both the City's waterworks and sanitary sewer system after the payment of all operation and maintenance expenses thereof (the "Net Revenues"), in an amount not to exceed $10,000, are pledged to the payment of the principal of and interest on the Certificates, to the extent that ad valorem taxes may ever be insufficient or unavailable for said purpose; provided, however, that such pledge is junior and subordinate in all respects to the pledge of Net Revenues to the payment of any obligation of the City, whether authorized heretofore or hereafter, which the City designates as having a pledge senior to the pledge of Net Revenues to the payment of the Certificates.

THE CITY HAS RESERVED THE RIGHT to issue, for any lawful purpose at any time, in one or more installments, bonds, certificates of obligation and other obligations of any kind secured by a pledge of the Net Revenues that may be prior and superior in right to, on a parity with, or junior and subordinate to the pledge of Net Revenues securing the Certificates.

ALSO BASED ON OUR EXAMINATION AS DESCRIBED ABOVE, it is our further opinion that, subject to the restrictions hereinafter described, interest on the Certificates (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum tax, and (c) is taken into account in determining adjusted financial statement income for applicable corporations (as defined in Section 59(k) of the Code) for the alternative minimum tax imposed on such corporations. The opinion in (a) and (b) of the preceding sentence is subject to the condition that there is compliance subsequent to the issuance of the Certificates with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be satisfied in order that interest thereon not be included in gross income for federal income tax purposes. The City has covenanted in the Ordinance to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Certificates in gross income for federal income tax purposes to be retroactive to the date of issuance of the Certificates. The Code and the existing regulations, rulings and court decisions thereunder, upon which the foregoing opinions of Bond Counsel are based, are subject to change, which could prospectively or retroactively result in the inclusion of the interest on the Certificates in gross income of the owners thereof for federal income tax purposes.

EXCEPT AS DESCRIBED ABOVE, we express no opinion as to any federal, state or local tax consequences under present law, or future legislation, resulting from the ownership of, receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations, such as the Certificates, may result in collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who are deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations and individuals otherwise qualified for the earned income tax credit. For the foregoing reasons, prospective purchasers should consult their tax advisors as to the consequences of investing in the Certificates.

THE OPINIONS SET FORTH ABOVE ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. Our services as Bond Counsel to the City have been limited to delivering the foregoing opinion based on our review of such proceedings and documents as we deem necessary to approve the validity of the Certificates and the tax-exempt status of the interest thereon. Our services have not included any financial or other non-legal advice. We express no opinion herein as to the financial resources of the City, its ability to provide for payment of the Certificates or the accuracy or completeness of any information, including the City's Preliminary Official Statement dated June 10, 2026 and its Official Statement dated June 16, 2026, that may have been relied upon by anyone in making the decision to purchase Certificates. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law or the interpretation thereof that may hereafter occur or become effective.

Very truly yours,

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