

**PALMER PLANTATION
MUNICIPAL UTILITY DISTRICT NO. 2**
(Fort Bend County, Texas)

PRELIMINARY OFFICIAL STATEMENT
DATED: JUNE 17, 2026

\$4,320,000
WATERWORKS AND SEWER SYSTEM COMBINATION
UNLIMITED TAX AND REVENUE BONDS
SERIES 2026

BIDS DUE: 11:00 A.M., HOUSTON TIME
BONDS AWARDED: 4:00 P.M., HOUSTON TIME
WEDNESDAY, JULY 15, 2026
HOUSTON, TEXAS



PRELIMINARY OFFICIAL STATEMENT DATED JUNE 17, 2026

This Preliminary Official Statement is subject to completion and amendment and is intended solely for the solicitation of initial bids to purchase the Bonds. Upon the sale of the Bonds, the Official Statement will be completed and delivered to the Underwriter.

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

The District will designate the Bonds as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions."

NEW ISSUE - Book-Entry Only

Ratings: S&P Global Ratings (Underlying).... "A" (stable outlook)
See "SALE AND DISTRIBUTION OF THE BONDS - Municipal Bond Insurance and Ratings" herein

\$4,320,000

PALMER PLANTATION MUNICIPAL UTILITY DISTRICT NO. 2
(A Political Subdivision of the State of Texas, located within Fort Bend County, Texas)
WATERWORKS AND SEWER SYSTEM COMBINATION
UNLIMITED TAX AND REVENUE BONDS, SERIES 2026

Dated: August 1, 2026

Due: September 1, as shown on the inside cover

Interest Accrual Date: Date of Delivery

Principal of the above bonds (the "Bonds") is payable by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N. A., currently in Houston, Texas, or any successor paying agent/registrar (the "Paying Agent," "Registrar" or Paying Agent/Registrar"). Interest on the Bonds accrues from the date of initial delivery (expected August 19, 2026) (the "Date of Delivery"), and is payable on March 1, 2027, and on each September 1 and March 1 thereafter until the earlier of maturity or redemption. The Bonds are issued in denominations of \$5,000 or any integral multiple thereof in fully registered form only. The Bonds maturing on and after September 1, 2032, are subject to redemption, in whole or in part, prior to their scheduled maturities on September 1, 2031, or on any date thereafter, at the option of Palmer Plantation Municipal Utility District No. 2 (the "District"). Upon redemption, the Bonds will be payable at a price equal to the principal amount of the Bonds or the portions thereof so called for redemption, plus accrued interest to the date of redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of the Bonds to be redeemed shall be selected by the District in integral multiples of \$5,000 within any one maturity. If fewer than all of the Bonds of any given maturity are to be redeemed at any time, the particular Bonds to be redeemed shall be selected by such method of random selection as determined by the Registrar or by DTC (defined below) in accordance with its procedures while the Bonds are in book-entry-only form. The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Registrar for payment of the redemption price on the portion of the Bond so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

The Bonds will be registered and delivered only in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York, ("DTC"), which will act as securities depository for the Bonds. Beneficial Owners (as defined herein under "THE BONDS - Book-Entry-Only System") of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the DTC participants. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar (as defined herein) directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the Beneficial Owners. In reading this Official Statement, it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to Registered Owners should be read to include the person for which the Direct or Indirect Participant (as defined under "THE BONDS - Book-Entry-Only System") acquires an interest in the Bonds, but (i) all rights or ownership must be exercised through DTC and the Book-Entry Only System, and, (ii) except as described herein, notices that are to be given to Registered Owners under the Bond Order (defined herein) will be given only to DTC. See "THE BONDS - Book-Entry-Only System."

The Bonds constitute the fifth series of bonds issued by the District for the purpose of acquiring and constructing a waterworks, sanitary sewer and storm drainage system (the "System") to serve the District. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. SEE "INVESTMENT CONSIDERATIONS." Voters in the District have authorized a total of \$19,000,000 principal amount of bonds for the purpose of acquiring and constructing the System and \$12,000,000 principal amount of bonds for refunding such bonds. Following the issuance of the Bonds, \$3,440,000 principal amount of unlimited tax and revenue bonds for the System and \$10,895,000 principal amount of unlimited tax bonds for refunding such bonds authorized by the District's voters will remain authorized but unissued. See "THE BONDS - Legal Ability to Issue Additional Debt."

The Bonds, when issued, constitute valid and binding obligations of the District, and are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District, and are further payable from and secured by a pledge of and lien on certain Net Revenues (as defined herein), if any, of the District's waterworks and sewer system (the "System") to the extent and upon the conditions described herein. The System is not expected to produce sufficient Net Revenues to make significant contributions, if any, to future debt service payments. See "THE BONDS - Source of Payment." Neither the State of Texas, the City of Missouri City, Texas, Fort Bend County, Texas, nor any political subdivision other than the District shall be obligated to pay the principal of and interest on the Bonds. Neither the faith and credit nor the taxing power of the State of Texas, the City of Missouri City, Texas, or Fort Bend County, Texas, is pledged to the payment of the principal of and interest on the Bonds.

The Bonds are offered when, as and if issued by the District, subject among other things to the approval of the Attorney General of Texas and of Wallace & Philbin, L.L.P., Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through DTC is expected to be on or about August 19, 2026.

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

MATURITY SCHEDULE

CUSIP Prefix (a): 696880

<u>Principal Amount</u>	<u>Maturity (Due September 1)</u>	<u>Interest Rate</u>	<u>Initial Reoffering Yield (b)</u>	<u>CUSIP Suffix (a)</u>
\$100,000	2028			
105,000	2029			
110,000	2030			
120,000	2031			
125,000	2032(c)			
130,000	2033(c)			
140,000	2034(c)			
145,000	2035(c)			
150,000	2036(c)			
160,000	2037(c)			
170,000	2038(c)			
180,000	2039(c)			
185,000	2040(c)			
195,000	2041(c)			
205,000	2042(c)			
220,000	2043(c)			
230,000	2044(c)			
240,000	2045(c)			
255,000	2046(c)			
270,000	2047(c)			
280,000	2048(c)			
295,000	2049(c)			
310,000	2050(c)			

- (a) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the District, the Financial Advisor (as defined herein), nor the Underwriter (as defined herein) take any responsibility for the accuracy of CUSIP numbers.
- (b) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriter. Initial reoffering yields represent the initial offering price to the public which has been established by the Underwriter for public offerings, and which subsequently may be changed.
- (c) Subject to optional redemption as described on the front cover.

TABLE OF CONTENTS

Page

TABLE OF CONTENTS.....	1
USE OF INFORMATION IN OFFICIAL STATEMENT	4
SALE AND DISTRIBUTION OF THE BONDS.....	4
Award of the Bonds.....	4
Prices and Marketability	5
Securities Laws.....	5
Municipal Bond Insurance and Ratings.....	5
BOND INSURANCE RISK FACTORS	6
OFFICIAL STATEMENT SUMMARY	7
INTRODUCTION	14
THE BONDS.....	14
General	14
Book-Entry-Only System	14
Use of Certain Terms in Other Sections of this Official Statement	16
Record Date	16
Assignments, Transfers and Exchanges.....	16
Authorization of the Bonds.....	17
Source of Payment.....	17
Redemption Provisions.....	17
Defeasance.....	18
Amendments to Bond Order.....	18
Dissolution.....	18
Legal Ability to Issue Additional Debt.....	19
Registered Owners’ Remedies.....	19
Bankruptcy Limitation to Registered Owners’ Rights.....	20
Legal Investment and Eligibility to Secure Public Funds in Texas	20
USE AND DISTRIBUTION OF BOND PROCEEDS.....	21
THE DISTRICT.....	22
Authority.....	22
Description	22
Management of the District	22
DEVELOPMENT OF THE DISTRICT	23
THE SYSTEM.....	24
Regulation.....	24
Description	24
Waterworks and Sewer System Operating Statement.....	27
AERIAL PHOTOGRAPH OF THE DISTRICT	28
PHOTOGRAPHS TAKEN WITHIN THE DISTRICT.....	29
PHOTOGRAPHS TAKEN WITHIN THE DISTRICT.....	30
DISTRICT DEBT	31
General	31
Estimated Direct and Overlapping Debt Statement.....	32
Debt Ratios	32
Debt Service Requirement Schedule	33

TAX DATA.....	34
Debt Service Tax	34
Maintenance Tax	34
Historical Values and Tax Collection History	34
Tax Rate Distribution	35
Analysis of Tax Base	35
Exemptions	35
Principal 2025 Taxpayers	36
Tax Rate Calculations.....	36
Estimated Overlapping Taxes.....	37
TAXING PROCEDURES	37
Authority to Levy Taxes.....	37
Property Tax Code and County-Wide Appraisal District	37
Property Subject to Taxation by the District.....	38
Assessment and Levy	39
Tax Abatement	40
District and Taxpayer Remedies.....	40
Collection	40
Rollback of Operation and Maintenance Tax Rate	41
District’s Rights in the Event of Tax Delinquencies.....	42
Agricultural, Open Space, Timberland and Inventory Deferment	42
INVESTMENT CONSIDERATIONS	43
General	43
Common Factors Affecting Taxable Values and Tax Payments	43
Maximum Impact on District Tax Rates.....	44
Tax Collection Limitations	44
Production of Net Revenues	45
Registered Owners’ Remedies and Bankruptcy	45
Future Debt.....	45
Marketability	45
Continuing Compliance with Certain Covenants.....	46
Environmental Regulations	46
Tax Payment Installments after Disaster	48
Extreme Weather Events	48
Potential Effects of Oil Price Volatility on the Houston Area	48
Changes in Tax Legislation	49
Approval of the Bonds.....	49
LEGAL MATTERS.....	49
Legal Opinions	49
No Arbitrage.....	49
No Material Adverse Change	50
No-Litigation Certificate	50
TAX MATTERS	50
Opinion	50
Federal Income Tax Accounting Treatment of Original Issue Discount	51
Collateral Federal Income Tax Consequences.....	51
State, Local and Foreign Taxes	52
Information Reporting and Backup Withholding	52
Qualified Tax-Exempt Obligations for Financial Institutions	52
SOURCES OF INFORMATION	53
General	53
Experts.....	53
Updating of Official Statement.....	53
Certification as to Official Statement	53
Official Statement “Deemed Final”	54

CONTINUING DISCLOSURE OF INFORMATION	54
Annual Reports	54
Event Notices.....	54
Availability of Information.....	55
Limitations and Amendments.....	55
Compliance With Prior Undertakings	55

APPENDIX A - LOCATION MAP

APPENDIX B - ANNUAL FINANCIAL REPORT

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

Neither the District nor the Underwriter make any representations as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.

This Official Statement contains "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, which generally can be identified with words or phrases such as "anticipates," "believes," "could," "estimates," "expects," "foresees," "may," "predict," "should," "will" or other words or phrases of similar import. All statements included in this Official Statement that any person expects or anticipates will, should or may occur in the future are forward-looking statements. These statements are based on assumptions and analyses made in light of experience and perceptions of historical trends, current conditions and expected future developments as well as other factors the District believes are appropriate in the circumstances. However, whether actual results and developments conform with expectations and predictions is subject to a number of risks and uncertainties, including, without limitation, the information discussed under "INVESTMENT CONSIDERATIONS" in this Official Statement, as well as additional factors beyond the District's control. The important investment considerations and assumptions described under that caption and elsewhere herein could cause actual results to differ materially from those expressed in any forward-looking statement. All of the forward-looking statements made in this Official Statement are qualified by these cautionary statements.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net effective interest rate, which was tendered by _____ (the "Underwriter"), to purchase the Bonds bearing the interest rates shown under "MATURITY SCHEDULE" on the inside cover page hereof at a price of _____% of the principal amount thereof, which resulted in a net effective interest rate of _____%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

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

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

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

Securities Laws

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

Municipal Bond Insurance and Ratings

Applications have been made to Assured Guaranty Inc. (“AG”) and Build America Mutual Assurance Company (“BAM”) to issue a commitment for municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by any rating companies other than S&P Global Ratings (“S&P”), a division of S&P Global Inc., will be at the option and expense of the Underwriter. The Underwriter understands, by submission of its bid, that the Underwriter is solely responsible for the selection of any insurer and for all negotiations with (i) the insurer as to the premium to be paid, and (ii) the insurer and any and all rating companies as to selection of such rating companies, the ratings to be assigned the Bonds as a consequence of the issuance of the municipal bond guaranty insurance policy, and the payment of fees in connection with such ratings except the S&P rating fees as described below. S&P has assigned an underlying rating of “A” (stable outlook) to the Bonds. If the Underwriter chooses to purchase municipal bond guaranty insurance on the Bonds, separate rating(s), including a rating by S&P, may at the election of the Underwriter be assigned the Bonds based upon the understanding that upon delivery of the Bonds a guaranty insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by the insurer. The District will pay the cost of both the underlying rating of S&P and the S&P rating associated with the guaranty insurance policy issued relating to the Bonds, if the latter is elected to be used by the Underwriter. As is stated in this Official Statement under the caption “LEGAL MATTERS - No Material Adverse Change,” if the Underwriter elects to purchase municipal guaranty insurance on the Bonds, the rating of the insurer’s creditworthiness by any rating agency does not and will not in any manner affect the District’s financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not and will not constitute a change, material or otherwise, in the District’s financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligations to take up and pay for the Bonds.

BOND INSURANCE RISK FACTORS

As is stated above under the caption “Municipal Bond Insurance and Ratings,” applications have been made to insurers to issue a commitment for municipal bond guaranty insurance on the Bonds. If the Underwriter purchases such municipal bond guaranty insurance on the Bonds as set forth under such caption, in the event of default of the payment of principal of or interest on the Bonds when all or some become due, any owner of the Bonds shall have a claim under the municipal bond guaranty insurance policy (the “Policy”) for such payments.

In the event that an insurer is unable to make payment of principal and interest on the Bonds as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event that an insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event would not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of any such insurer and its claims paying ability. An insurer’s financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of an insurer and the ratings on bonds insured by any such insurer, including the Bonds, would not be subject to downgrade. Such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The obligations of an insurer are contractual obligations and in an event of default by any such insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the District, nor to the knowledge of the District the Underwriter, has made independent investigation into the claims paying ability of any potential insurer of the Bonds and no assurance or representation regarding the financial strength or projected financial strength of any potential insurer is made by either the District or the Underwriter. Therefore, when making an investment decision, potential investors should carefully consider the ability of the District to pay the principal of and interest on the Bonds and the claims paying ability of any potential insurer, particularly over the life of the investment. See “SALE AND DISTRIBUTION OF THE BONDS - Municipal Bond Insurance and Ratings” above for further information regarding the District’s application for municipal bond guaranty insurance on the Bonds.

OFFICIAL STATEMENT SUMMARY

The following material is a summary of certain information contained herein and is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. The reader should refer particularly to sections that are indicated for more detailed information.

THE BONDS

The Issuer	Palmer Plantation Municipal Utility District No. 2 (the “District”), is a political subdivision of the State of Texas located in Fort Bend County, Texas. See “THE DISTRICT.”
Description.....	\$4,320,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2026 (the “Bonds”), are dated August 1, 2026, and mature on September 1 in the years and principal amounts shown on the inside cover page of this Official Statement under the heading “MATURITY SCHEDULE.” Interest on the Bonds accrues from the date of initial delivery (the “Date of Delivery”), at the rates shown on the inside cover hereof, and is payable on March 1, 2027, and on each September 1 and March 1 thereafter (each, an “Interest Payment Date”) until maturity or prior redemption. The Bonds are issued in fully registered form and will be issued in denominations of \$5,000 of principal amount or integral multiples thereof. The Bonds maturing on and after September 1, 2032, are subject to redemption, in whole or in part, prior to their scheduled maturities, on September 1, 2031, or on any date thereafter at the option of the District. Upon redemption, the Bonds will be payable at a price equal to the principal amount of the Bonds, or portions thereof, so called for redemption, plus accrued interest to the date fixed for redemption. The Bonds will be issued pursuant to a bond order (the “Bond Order”) adopted by the Board of Directors of the District. The Bonds are being issued under the authority of Chapters 49 and 54 of the Texas Water Code, as amended and an Order of the TCEQ (hereinafter defined). See “THE BONDS.”
Book-Entry-Only System.....	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC (defined herein), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners (as defined herein) thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (hereinafter defined) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds (see “THE BONDS - Book-Entry-Only System”).
Source of Payment.....	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the District, and are further payable from and secured by a pledge of and lien on certain Net Revenues (as defined herein), if any, of the District's waterworks and sewer system (the “System”), to the extent and upon the conditions described herein. The System is not expected to produce sufficient Net Revenues to make significant contributions, if any, to future debt service payments.

The Bonds are obligations of the District and are not obligations of Fort Bend County, Texas, the City of Missouri City, Texas, the State of Texas or any political subdivision other than the District. See “THE BONDS - Source of Payment,” “TAX DATA - Tax Rate Calculations,” and “INVESTMENT CONSIDERATIONS - Maximum Impact on District Tax Rates.”

Use of Proceeds

Proceeds of the sale of the Bonds will be used by the District to (i) finance the District’s cost of Water Treatment Plants Nos. 1 and 2 improvements, regional wastewater treatment plant improvements, wastewater collection system improvements and lift station improvements; (ii) capitalize an amount not to exceed \$226,800 of interest on the Bonds; (iii) pay certain engineering costs related to the aforementioned facilities and projects; and (iv) pay for administrative and issuance costs, legal fees, fiscal agent fees, fees to the TCEQ and the Attorney General of Texas, and certain financing costs related to the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

Payment Record.....

The District has previously issued its Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1994 (the “Series 1994 Bonds”), Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1996 (the “Series 1996 Bonds”), Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1998 (the “Series 1998 Bonds”), Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2001 (the “Series 2001 Refunding Bonds”) Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2002 (the “Series 2002 Bonds”), Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2003 (the “Series 2003 Refunding Bonds”), Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2010 (the “Series 2010 Refunding Bonds”) and Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2020 (the “Series 2020 Refunding Bonds”). Collective reference is made in this Official Statement to the District’s prior issued bonded indebtedness as the “Prior Bonds.” The District has timely paid all interest on the Prior Bonds when due. Prior to the issuance of the Bonds, the principal amount of the Prior Bonds that has not been previously retired by the District is \$570,000 (the “Outstanding Bonds”). After issuance of the Bonds, the total of the District’s direct bonded indebtedness, including the Bonds, will be \$4,890,000. See “THE BONDS - Legal Ability to Issue Additional Debt” and “INVESTMENT CONSIDERATIONS - Future Debt.”

Authorized But Unissued Bonds.....

\$3,440,000 bonds for waterworks, sanitary sewer, and drainage facilities and \$10,895,000 bonds for refunding such bonds will remain authorized but unissued after issuance of the Bonds. See “THE BONDS - Legal Ability to Issue Additional Debt.”

Municipal Bond Insurance and Ratings.....

Applications have been made to Assured Guaranty Inc. (“AG”) and Build America Mutual Assurance Company (“BAM”) to issue a commitment for municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by any rating companies other than S&P

Global Ratings (“S&P”), a division of S&P Global Inc., will be at the option and expense of the Underwriter. The Underwriter understands, by submission of its bid, that the Underwriter is solely responsible for the selection of any insurer and for all negotiations with (i) the insurer as to the premium to be paid, and (ii) the insurer and any and all rating companies as to selection of such rating companies, the ratings to be assigned the Bonds as a consequence of the issuance of the municipal bond guaranty insurance policy, and the payment of fees in connection with such ratings except the S&P rating fees as described below. S&P has assigned an underlying rating of “A” (stable outlook) to the Bonds. If the Underwriter chooses to purchase municipal bond guaranty insurance on the Bonds, separate rating(s), including a rating by S&P, may at the election of the Underwriter be assigned the Bonds based upon the understanding that upon delivery of the Bonds a guaranty insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by the insurer. The District will pay the cost of both the underlying rating of S&P and the S&P rating associated with the guaranty insurance policy issued relating to the Bonds, if the latter is elected to be used by the Underwriter. As is stated in this Official Statement under the caption “LEGAL MATTERS - No Material Adverse Change,” if the Underwriter elects to purchase municipal guaranty insurance on the Bonds, the rating of the insurer’s creditworthiness by any rating agency does not and will not in any manner affect the District’s financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not and will not constitute a change, material or otherwise, in the District’s financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligations to take up and pay for the Bonds.

Qualified Tax-Exempt Obligations	The District will designate the Bonds as “qualified tax-exempt obligations” pursuant to Section 265 (b) of the Internal Revenue Code of 1986, as amended. See “TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions.”
Bond Counsel.....	Wallace & Philbin, L.L.P., Houston, Texas, Bond Counsel. See “LEGAL MATTERS” and “TAX MATTERS.”
Disclosure Counsel	McCall, Parkhurst & Horton L.L.P. Houston, Texas.
Financial Advisor.....	Rathmann & Associates, L.P., Houston, Texas.
Paying Agent/Registrar.....	The Bank of New York Mellon Trust Company, N.A., in Houston, Texas.

THE DISTRICT

Description.....	Palmer Plantation Municipal Utility District No. 2, a political subdivision of the State of Texas, was created by order of the Texas Water Commission (the “TWC”), predecessor to the Texas Commission on Environmental Quality (the “TCEQ”) on December 21, 1982. The District contains approximately 333.0 acres of land. The District is located approximately 17 miles southwest of the central business district of Houston, Texas, in the northeastern portion of Fort Bend County, Texas. The District is located entirely within the corporate boundaries of the City of Missouri City, Texas. The District is bounded on the east by a Fort
------------------	--

Bend County drainage channel, and on the west and south by Palmer Plantation Municipal Utility District No. 1. State Highway 6 is located approximately one mile from the western boundary of the District, and the intersection of State Highway 6 and FM 1092 is located approximately 1.7 miles west of the western boundary of the District. The District is located approximately 5 miles southeast of the intersection of U.S. Highway 59 and State Highway 6. The District is located entirely within Fort Bend County and the Fort Bend Independent School District. See “THE DISTRICT - Description” and “APPENDIX A LOCATION MAP.”

Authority.....

The rights, powers, privileges, authority and functions of the District are established by Article XVI, Section 59 of the Constitution of the State of Texas and the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 54 of the Texas Water Code, as amended. See “THE DISTRICT - Authority.”

Development of the District.....

The land within the District has been developed primarily for single-family residential usage. As of May 1, 2026, the District contained a total of 832 single-family residences, including 5 homes under construction. The development of all of the land located within the District available for development is complete, including the completion of the development of an aggregate of 869 single-family residential lots (approximately 234.75 total acres) in the following subdivisions: Lakeshore Forest, Sections 1 and 2, Parkview Village, Section 2, Sunrise Bay, Sections 1 through 3, Crescent Oak Village, Sections 1 through 3, 6 and 7, Lakeshore Forest Estates, Villa Del Lago, Sections 1 and 2, Mustang Crossing and Jade Island. Such completed development includes the construction of underground water distribution, wastewater collection, and storm drainage facilities and street paving to serve all of such lots. In addition, utility service is available to an approximate 2.08 acre unplatted tract of land located within the District that, if developed in the future, is expected to be used for commercial purposes. The fully developed lots located within the District on which home construction has not commenced or been completed are owned by multiple parties, including individual purchasers. Approximately 96.17 acres located within the District have been or are expected to be dedicated as easements for public purposes, are contained in lakes, recreation reserves, District facilities sites, nature reserves, park sites, various pipeline easements, or are otherwise not available or expected to be available for development.

The District financed its portion of the cost of acquiring and constructing the water supply and distribution, wastewater collection and treatment, and storm drainage system (the “System”) to serve the aforementioned 869 single-family residential lots that have been developed to date in the District with the proceeds of the sale of the Prior Bonds. See “THE BONDS - Legal Ability to Issue Additional Debt” and “THE SYSTEM - Description.”

The development of the District is the continuation of the development of the Lake Olympia Development. The development of Lake Olympia was initiated in 1983 with the development of Palmer Plantation Municipal Utility District No.

1 ("MUD No. 1"). The development completed to date in MUD No. 1 includes the development of 733 lots, including custom home and estate lots, plus certain amenities described below.

An amenities complex including 2 pools, bath house, two lighted tennis courts, nature walks, jogging trails, and a dock area has been completed to serve the Lake Olympia Development. Such facilities are located in MUD No. 1. A marina (28 boat slips) and boat ramp to serve non-gasoline powered boats, a gazebo and entrance to the marina and club site which includes a guard house have also been constructed to serve the development. Such facilities are located in the District. The construction of a parking lot, an eight-lane community swimming pool, bath house, and playground have been constructed as phase two of the marina, and a club house has been constructed as phase three of the marina.

INVESTMENT CONSIDERATIONS

THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS AS SET FORTH IN THIS OFFICIAL STATEMENT. PROSPECTIVE PURCHASERS SHOULD CAREFULLY REVIEW THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING THEIR INVESTMENT DECISIONS, ESPECIALLY THE PORTION OF THE OFFICIAL STATEMENT ENTITLED "INVESTMENT CONSIDERATIONS."

SELECTED FINANCIAL INFORMATION
(Unaudited)

2025 Assessed Valuation..... (As of January 1, 2025) See "TAX DATA" and "TAXING PROCEDURES"	\$ 307,362,757 (a)
2026 Preliminary Valuation..... (As of January 1, 2026) See "TAX DATA" and "TAXING PROCEDURES"	\$ 317,513,979 (a)
Direct Debt:	
Outstanding Bonds.....	\$ 570,000
The Bonds.....	<u>4,320,000</u>
Total.....	\$ 4,890,000 (c)
Estimated Overlapping Debt.....	\$ <u>12,833,688</u>
Total Direct and Estimated Overlapping Debt.....	\$ 17,723,688
Direct Debt Ratio	
: as a percentage of 2025 Assessed Valuation.....	1.59 %
: as a percentage of 2026 Preliminary Valuation.....	1.54 %
Direct and Overlapping Debt Ratio	
: as a percentage of 2025 Assessed Valuation.....	5.77 %
: as a percentage of 2026 Preliminary Valuation.....	5.58 %
Debt Service Fund Balance Estimated as of Delivery of the Bonds.....	\$ 968,956 (d)
General Fund Balance as of May 20, 2026.....	\$ 850,713
2025 Tax Rate per \$100 of Assessed Valuation	
Debt Service Tax.....	\$ 0.150
Maintenance Tax.....	<u>0.195</u>
Total.....	\$ 0.345 (e)
Average Percentage of Total Tax Collections (2015-2024) as of May 31, 2026.....	99.81 %
Percentage of Tax Collections (2025) as of May 31, 2026 (In process of collection.).....	96.16 %
Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2027-2050).....	\$ 324,441
Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2047).....	\$ 330,638
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2027-2050) at 95% Tax Collections	
Based Upon 2025 Assessed Valuation.....	\$ 0.12 (e)
Based Upon 2026 Preliminary Valuation.....	\$ 0.11 (e)

Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual
Debt Service Requirements on the Bonds and the Outstanding Bonds
(2047) at 95% Tax Collections

Based Upon 2025 Assessed Valuation	\$	0.12 (e)
Based Upon 2026 Preliminary Valuation.....	\$	0.11 (e)

Number of Single-Family Homes (including 5 homes under construction) 832

- (a) As of January 1, 2025, and comprises the District’s 2025 tax roll. All property located in the District is valued on the tax rolls by the Fort Bend Central Appraisal District (the “Appraisal District”) at 100% of assessed valuation as of January 1 of each year. The District’s tax roll is certified by the Fort Bend Central Appraisal Review Board (the “Appraisal Review Board”). See “INVESTMENT CONSIDERATIONS - Common Factors Affecting Taxable Values and Tax Payments” and “TAXING PROCEDURES.”
- (b) This amount is the sum of the preliminary values of all taxable property located within the District as of January 1, 2026, as reflected on the District’s preliminary 2026 tax roll supplied to the District by the Appraisal District, and includes the preliminary 2026 values resulting from the construction of taxable improvements from January 1, 2025, through December 31, 2025. The District’s ultimate 2026 Assessed Valuation may vary significantly from such preliminary tax roll once the Appraisal Review Board certifies the value thereof for 2026.
- (c) See “DISTRICT DEBT.” The District has timely paid all interest on the Prior Bonds when due. The District financed portions of the cost of acquiring or constructing components of the System that are described in this Official Statement under the caption “THE SYSTEM” with portions of the proceeds of the sale of the Prior Bonds. The District is financing portions of the cost of acquiring or constructing components of the System that are described in this Official Statement under the caption “USE AND DISTRIBUTION OF BOND PROCEEDS,” and other items, with portions of the proceeds of the sale of the Bonds. The District expects to finance the acquisition or construction of additional components of or improvements to the System with the proceeds of the sale of bonds, if any, by the District in the future. See “THE BONDS - Legal Ability to Issue Additional Debt” and “INVESTMENT CONSIDERATIONS - Future Debt.”
- (d) Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Debt Service Fund. Such fund balance gives effect to the payment by the District of its debt service requirements on the Outstanding Bonds that were due on March 1, 2026, and the deposit by the District of capitalized interest on the Bonds in an amount not to exceed \$226,800 upon the delivery of the Bonds. The District’s initial debt service requirement on the Bonds, consisting of an interest payment thereon, is due on March 1, 2027.
- (e) The District levied a total tax rate of \$0.345 per \$100 of Assessed Valuation for 2025, consisting of debt service and maintenance taxes of \$0.15 and \$0.195 per \$100 of Assessed Valuation, respectively. As is enumerated in this Official Statement under the caption “TAX DATA - Estimated Overlapping Taxes,” the total of the 2025 tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District’s 2025 total rate of \$0.345 per \$100 of Assessed Valuation, is \$2.394725 per \$100 of Assessed Valuation. Such aggregate levy is higher than the aggregate tax levies of some municipal utility districts in the Houston metropolitan area, including the area of the District, but is within the range of the aggregate levies of many municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District. See “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments” and “TAXING PROCEDURES.”

**PALMER PLANTATION MUNICIPAL UTILITY DISTRICT NO. 2
WATERWORKS AND SEWER SYSTEM COMBINATION
UNLIMITED TAX AND REVENUE BONDS, SERIES 2026**

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Palmer Plantation Municipal Utility District No. 2, a political subdivision located in Fort Bend County, Texas (the “District”) of its Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2026 (the “Bonds”).

There follow in this Official Statement descriptions of the Bonds, the District’s plan of financing, and certain information about the District 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 District upon request and payment of the costs of duplication therefor. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Order (hereinafter defined), except as otherwise indicated herein.

THE BONDS

General

The following is a description of certain terms and conditions of the Bonds, which description is qualified in its entirety by reference to the order of the Board of Directors of the District (the “Board”) authorizing the issuance of the Bonds (the “Bond Order”). A copy of the Bond Order may be obtained from the District upon request and payment of the costs of duplication thereof. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds are dated August 1, 2026, and will mature on September 1 in the years and in the principal amounts indicated on the inside cover page hereof. The Bonds will accrue interest from the date of initial delivery (the “Date of Delivery”) (or the most recent interest payment date to which interest has been paid or duly provided for) at the stated interest rates indicated on the inside cover page of this Official Statement. Interest on the Bonds is payable on March 1, 2027, and on each September 1 and March 1 thereafter until maturity or prior redemption. The Bonds will be issued as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof. Principal of the Bonds will be payable by the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A., or any successor paying agent/registrar (the “Registrar,” the “Paying Agent” or “Paying Agent/Registrar”) in Houston, Texas.

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

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York, (“DTC”) while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor believe the source of such information to be reliable, but neither of the District or the Financial Advisor takes any responsibility for the accuracy or completeness thereof.

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

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

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

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a S&P Global rating of “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with 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 District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

Record Date

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

Assignments, Transfers and Exchanges

In the event the Book-Entry-Only System is discontinued, the Bonds may be transferred, registered and assigned only on the registration books of the Registrar, and such registration and transfer 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 and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Registrar. At any time after the date of delivery of the Bonds to the Initial Purchaser (the "Initial Delivery"), any Bond may be transferred or exchanged upon its presentment and surrender at the office of the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the owner in not more than three business days after the receipt of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in denominations of \$5,000 or any integral multiple thereof for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. Neither the District nor the Registrar is required (1) to transfer or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding interest payment date, or (2) to transfer or exchange any Bond selected for redemption in whole or in part within thirty (30) calendar days of the redemption date. The District has agreed to replace mutilated, destroyed,

lost or stolen Bonds upon surrender of the mutilated Bonds, on receipt of satisfactory evidence of such destruction, loss or theft and receipt by the District and the Registrar of security or indemnity to keep them harmless. The District will require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Authorization of the Bonds

The Bonds are issued pursuant to the authority of the Bond Order; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; an election held within and for the District on August 14, 1993, and an order of the Texas Commission on Environmental Quality (the "TCEQ"). See "Legal Ability to Issue Additional Debt" below.

Source of Payment

The Bonds, when issued, will constitute valid and binding obligations of the District, and the principal thereof and the interest thereon, together with the principal and interest on such additional tax bonds of the District as may hereafter be issued by the District, if any, are payable from and secured by the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. The Bonds are further payable from and secured by a pledge of and lien on certain Net Revenues, if any, of the System. Net Revenues are basically defined by the Bond Order as all income that is derived from the ownership and operation of the District's System as the same is purchased, constructed or otherwise acquired, which remains after deducting the operation and maintenance expenses of the System, but not including income derived from contracts that is pledged for payment of any special project bonds that may be issued. It is not expected that the Net Revenues will ever be sufficient to make significant contributions, if any, to debt service payments. See "THE SYSTEM - Waterworks and Sewer System Operating Statement." See "TAXING PROCEDURES" and "TAX DATA - Tax Rate Calculations" for tax adequacy, manner of assessing and collecting taxes, and the remedy to the District in the event of tax delinquencies; and "Registered Owners' Remedies" below for the remedies available to Bondholders in the event of default in the performance of any of the covenants set forth in the Bond Order or in the event of default in the payment of principal of or interest on the Bonds.

The Bonds are obligations of the District and are not the obligations of the State of Texas, Fort Bend County, Texas, the City of Missouri City, Texas, or any political subdivision or agency other than the District.

The District has the authority to levy an annual ad valorem tax without legal limit as to rate or amount on all taxable property within the District for each year the Bonds are outstanding. In the Bond Order, the District has covenanted to establish a rate of taxation each year ample and sufficient to provide funds to pay the interest on the Bonds and to pay the principal when due, full allowance being made for delinquencies and costs of collection.

Redemption Provisions

The Bonds maturing on and after September 1, 2032, shall be subject to redemption and payment prior to their scheduled maturities at the option of the District, in whole or from time to time in part, on September 1, 2031, or on any date thereafter, at a redemption price equal to the principal amount thereof, plus accrued interest to the date of redemption. Notice of redemption is required to be mailed at least thirty (30) days prior to the redemption date to each of the Registered Owners of the Bonds to be redeemed in whole or in part at the address shown on the bond register.

If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of Bonds to be redeemed shall be selected by the District in denominations of \$5,000 or any integral multiple thereof within any one maturity and if fewer than all of the Bonds within a certain maturity are to be redeemed, the Paying Agent/Registrar shall designate the Bonds within such maturity to be redeemed by method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). The registered owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bond so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Defeasance

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

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

There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality of those currently permitted under Texas law.

Amendments to Bond Order

The Bond Order provides that the District may, without the consent of or notice to any Registered Owners of the Bonds, amend, change or modify the Bond Order as may be required (a) by the provisions thereof, (b) for the purpose of curing any ambiguity, inconsistency, or formal defect or omission therein, or (c) in connection with any other change which is not to the prejudice of the Registered Owners of the Bonds. Except for such amendments, changes, or modifications, the District shall not amend, change or modify the Bond Order in any manner without the consent of the Registered Owners of the Bonds.

Dissolution

The property within the District lies entirely within the corporate limits of the City of Missouri City, Texas (the "City"). Under Texas law, the District may be dissolved by the City without the District's consent, upon two-third vote of the City Council. If the District is dissolved, the City must assume the District's assets and obligations. The City currently has within its boundaries all or portions of several water districts, which provide the only water and wastewater services to City residences. The City provides no such services.

The District makes no representation with regard to dissolution, and cannot predict whether dissolution will ever occur. The District makes no representation as to the ability of the City to make debt service payments should dissolution occur.

Legal Ability to Issue Additional Debt

The District has reserved the right in the Bond Order to issue additional bonds. Following the issuance of the Bonds, the District will have the right to issue an additional \$10,895,000 for refunding purposes, and \$3,440,000 bonds for waterworks, sanitary sewer, and drainage facilities as approved by the District's voters at an election held on August 14, 1993.

The District has the right to issue the aforementioned bonds without the necessity of further voter authorization. Except for refunding bonds, before issuing any additional bonds for waterworks, sanitary sewer, and drainage facilities, the District would have to obtain approval of the TCEQ for the issuance of such bonds and the projects to be financed thereby. In addition to the above mentioned bonds, the District has the right to issue such additional tax bonds, revenue bonds, or combination tax and revenue bonds as may be hereafter approved by the voters of the District. The District also has the right to issue revenue notes, bond anticipation notes and tax anticipation notes without the necessity of voter approval. In addition, the District has the right to enter into contracts and to pledge its taxing power to secure any payments the District is required to make under such a contract, provided the provisions of the contract are approved by the voters of the District. The District further has the right to issue refunding bonds, in addition to the refunding bonds described above, with additional voter approval. The Bond Order places no limitation on the amount of additional bonds which may be issued by the District. The District will finance the acquisition or construction of components of the System and other facilities with portions of the proceeds of the sale of the Bonds as is enumerated in this Official Statement under the caption "USE AND DISTRIBUTION OF BOND PROCEEDS." The District expects to finance the acquisition or construction of additional components of or improvements to the System with the proceeds of the sale of bonds, if any, by the District in the future. If the District were to need to issue additional bonds for acquisition or construction of additional components of or improvements to the System, authorization for such issuance would need to be granted by the district's voters at an election for such purpose. See "INVESTMENT CONSIDERATIONS - Future Debt" and "THE SYSTEM."

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) amendments to existing city ordinances specifying the purposes for which the District may issue bonds; (b) preparation of a detailed park plan; (c) authorization of park bonds by the qualified voters in the District; (d) approval of the park project and bonds by the TCEQ; and (e) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District at the time of issuance of the bonds, or, in the event the District meets certain conditions, three percent of the value of the taxable property in the District at the time of issuance of the bonds, but in no event in an amount greater than the estimated cost in the plan. The Board has not considered authorizing the preparation of a park plan or calling a park bond election at this time.

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) amendments to existing city ordinances specifying the purposes for which the District may issue bonds; (b) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (c) approval of the master plan and bonds by the TCEQ; and (d) approval of bonds by the Attorney General of Texas. The Board has not considered calling an election at this time for such purposes. If additional debt obligations are issued in the future by the District, such issuance may increase gross debt/property ratios and might adversely affect the investment security of the Bonds. See "INVESTMENT CONSIDERATIONS - Future Debt."

Registered Owners' Remedies

Pursuant to Texas law, the Bond Order provides that, in the event the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make payments required by the Bond Order into the Debt Service Fund, or defaults in the observance or performance of any of the other covenants, conditions or obligations set forth in the Bond Order, any Registered Owner shall be entitled to seek a writ of mandamus from a court of competent jurisdiction compelling and requiring the District to make such payments or to observe and perform such covenants, obligations or conditions. Such right is in addition to other rights the Registered Owners may be provided by the laws of the State of Texas.

Except for the remedy of mandamus, the Bond Order does not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners. In addition, any legal action taken to seek any such remedies may be limited by the doctrine of sovereign immunity. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Even if the Registered Owners could obtain a judgment against the District, such judgment cannot be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners. See "Bankruptcy Limitation to Registered Owners' Rights" below.

Bankruptcy Limitation to Registered Owners' Rights

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

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

The District may not be placed into bankruptcy involuntarily.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

USE AND DISTRIBUTION OF BOND PROCEEDS

Proceeds of the sale of the Bonds will be used by the District to (i) finance the District’s cost of Water Treatment Plants Nos. 1 and 2 improvements, regional wastewater treatment plant improvements, wastewater collection system improvements and lift station improvements; (ii) capitalize an amount not to exceed \$226,800 of interest on the Bonds; (iii) pay certain engineering costs related to the aforementioned facilities and projects; and (iv) pay for administrative and issuance costs, legal fees, fiscal agent fees, fees to the TCEQ and the Attorney General of Texas, and certain financing costs related to the issuance of the Bonds.

I. Construction Costs	<u>District’s Share</u>
A. Developer Contribution Items - None	
B. District Items	
1. Wastewater Treatment Plant Reimbursement	\$1,145,073
2. Water Treatment Plant No. 1 Improvements	33,465
3. Water Treatment Plant No. 2 Improvements	26,650
4. Wastewater Collection System Improvements	1,063,000
5. Wastewater Treatment Plant Improvements	834,000
6. Lift Station Improvements	8,000
7. Contingencies	196,512
8. Engineering	<u>294,767</u>
Total District Items	\$3,601,467
TOTAL CONSTRUCTION COSTS	\$3,601,467
II. Non-Construction Costs	
A. Legal Fees	\$135,600
B. Fiscal Agent Fees	86,400
C. Capitalized Interest (a)	226,800
D. Bond Discount	129,600
E. Bond Issuance Expenses	75,013
F. Bond Application Report Costs	50,000
G. Attorney General Fee	4,320
H. TCEQ Bond Issuance Fee	10,800
I. Contingencies (b)	<u>0</u>
TOTAL NON-CONSTRUCTION COSTS	<u>\$718,533</u>

TOTAL BOND ISSUE REQUIREMENTS

\$4,320,000

- (a) The District will capitalize interest on the Bonds in an amount not to exceed \$226,800 to be deposited in the Debt Service Fund upon the delivery of the Bonds.
- (b) Represents funds which may be used by the District only in accordance with the rules of the TCEQ as further discussed below.

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

THE DISTRICT

Authority

The District is a municipal utility district created by order of the TWC (now the TCEQ) dated December 21, 1982, pursuant to the authority of Chapters 49 and 54, Texas Water Code, and Article XVI, Section 59 of the Texas Constitution. The creation of the District was confirmed at an election held within the District on August 14, 1993. The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 54, Texas Water Code, as amended. The principal functions of the District are to finance, construct, own, and operate waterworks, wastewater, and drainage facilities and to provide such facilities and services to the customers of the District. The District, if approved by the voters within the District, the TCEQ, and other governmental entities having jurisdiction, may establish, operate, and maintain a fire department, independently or with one or more other conservation and reclamation districts, and provide such facilities and services to the customers of the District. The District is subject to the continuing supervision of the TCEQ in certain matters.

Description

When created, the District contained approximately 332.2 acres of land, and, as a consequence of two subsequent deannexations and two annexations, now contains approximately 333.0 acres. The District is located approximately 17 miles southwest of the central business district of Houston, Texas, in the northeastern portion of Fort Bend County, Texas. The District is located entirely within the corporate boundaries of the City of Missouri City, Texas. The District is located entirely within Fort Bend County and the Fort Bend Independent School District. The District is bounded on the east by a Fort Bend County drainage channel, and on the west and south by Palmer Plantation Municipal Utility District No. 1. State Highway 6 is located approximately one mile from the western boundary of the District and the intersection of State Highway 6 and FM 1092 is located approximately 1.7 miles west of the western boundary of the District. The District is located approximately 5 miles southeast of the intersection of U.S. Highway 59 and Texas State Highway 6. See "APPENDIX A - LOCATION MAP."

Management of the District

The District is governed by the Board of Directors, consisting of five directors. The Board of Directors has control over and management supervision of all affairs of the District. Directors serve four-year staggered terms, and elections are held within the District in May in even numbered years. All of the directors currently reside within the District. The current members and officers of the Board, along with their respective terms of office, are listed below.

<u>Name</u>	<u>Title</u>	<u>Term Expires May</u>
James Wagner	President	2030
Billy Siems	Vice President	2028
Christina Nance	Secretary	2028
Lawrence Bell	Deputy Secretary	2030
Bert Silverstein	Director	2028

The District does not have a general manager or any other employee, but has contracted for services, as follows.

Bookkeeper - The District’s bookkeeper is L&S District Services, LLC.

Tax Assessor/Collector - The District has engaged Assessments of the Southwest, Inc., Houston, Texas, as the District’s Tax Assessor/Collector.

Consulting Engineers - The District has engaged the firm of A&S Engineers, Inc., Houston, Texas, as Consulting Engineer on a contract basis to provide engineering services to the District.

Auditor - As required by the Texas Water Code, the District retains an independent auditor to audit the District’s financial statements annually, which financial statements are filed with the TCEQ. The financial statements of the District as of December 31, 2025, and for the year then ended, included in this offering document, have been audited by McCall Gibson Swedlund Barfoot Ellis PLLC, Certified Public Accountants, as stated in their report appearing herein. See “APPENDIX B.”

Counsel - The District has engaged Wallace & Philbin, L.L.P., Houston, Texas, as general counsel and as Bond Counsel in connection with the issuance of the Bonds. The fees paid to Bond Counsel by the District for services rendered in connection with the issuance of the Bonds are contingent on the issuance, sale and delivery of the Bonds. See “LEGAL MATTERS” and “TAX MATTERS.”

Disclosure Counsel - McCall, Parkhurst & Horton L.L.P., Houston, Texas, serves as Disclosure Counsel to the District. The fees to be paid Disclosure Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds.

District Operator – Quail Valley Utility District is the general operator of the District’s System.

Financial Advisor - The District has engaged Rathmann & Associates, L.P., as financial advisor (the “Financial Advisor”) to the District. The fees paid the Financial Advisor for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued and sold. Therefore, the payment of such fees is contingent upon the sale and delivery of the Bonds. Rathmann & Associates, L.P. is an independent municipal advisor registered with the United States Securities and Exchange Commission (the “SEC”) and the Municipal Securities Rulemaking Board (the “MSRB”). Rathmann & Associates, L.P.’s SEC registration number is 869-00217 and its MSRB registration number is K0161. Rathmann & Associates, L.P.’s SEC registration Forms MA and MA-1’s, which constitute Rathmann & Associates, L.P.’s registration filings, may be accessed through <http://www.sec.gov/edgar/searchedgar/companysearch.html>.

DEVELOPMENT OF THE DISTRICT

The land within the District has been developed primarily for single-family residential usage. As of May 1, 2026, the District contained a total of 832 single-family residences, including 5 homes under construction. The development of all of the land located within the District available for development is complete, including the completion of the development of an aggregate of 869 single-family residential lots (approximately 234.75 total acres) in the following subdivisions:

Lakeshore Forest, Sections 1 and 2, Parkview Village, Section 2, Sunrise Bay, Sections 1 through 3, Crescent Oak Village, Sections 1 through 3, 6 and 7, Lakeshore Forest Estates, Villa Del Lago, Sections 1 and 2, Mustang Crossing and Jade Island. Such completed development includes the construction of underground water distribution, wastewater collection, and storm drainage facilities and street paving to serve all of such lots. In addition, utility service is available to an approximate 2.08 acre unplatted tract of land located within the District that, if developed in the future, is expected to be used for commercial purposes. The fully developed lots located within the District on which home construction has not commenced or been completed are owned by multiple parties, including individual purchasers. See "TAX DATA - Principal 2025 Property Owners." Approximately 96.17 acres located within the District have been or are expected to be dedicated as easements for public purposes, are contained in lakes, recreation reserves, District facilities sites, nature reserves, park sites, various pipeline easements, or are otherwise not available or expected to be available for development.

The District financed its portion of the cost of acquiring and constructing the water supply and distribution, wastewater collection and treatment, and storm drainage system (the "System") to serve the aforementioned 869 single-family residential lots that have been developed to date in the District with the proceeds of the sale of the Prior Bonds. See "THE BONDS - Legal Ability to Issue Additional Debt" and "THE SYSTEM - Description."

The development of the District is the continuation of the development of the Lake Olympia Development. The development of Lake Olympia was initiated in 1983 with the development of Palmer Plantation Municipal Utility District No. 1 ("MUD No. 1"). The development completed to date in MUD No. 1 includes the development of 733 lots, including custom home and estate lots, plus certain amenities described below.

An amenities complex including 2 pools, bath house, two lighted tennis courts, nature walks, jogging trails, and a dock area has been completed to serve the Lake Olympia Development. Such facilities are located in MUD No. 1. A marina (28 boat slips) and boat ramp to serve non-gasoline powered boats, a gazebo and entrance to the marina and club site which includes a guard house have also been constructed to serve the development. Such facilities are located in the District. The construction of a parking lot, an eight-lane community swimming pool, bath house, and playground have been constructed as phase two of the marina, and a club house has been constructed as phase three of the marina.

THE SYSTEM

Regulation

According to the Engineer, the District's water, wastewater and storm drainage facilities (the "System") have been designed in conformance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities, including, among others, the City of Missouri City and Fort Bend County.

Operation of the System is subject to regulation by, among others, the Environmental Protection Agency and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision. The total number of connections estimated at this time for the District upon the full development of its 333.0 acres is 863 with a total estimated population of 2,601 people. The following descriptions are based upon information supplied by the Engineer.

Description

The District financed its portion of the cost of acquiring and constructing the water supply and distribution, wastewater collection and treatment, and storm drainage system (the "System") to serve the 867 single-family residential lots located in the aforementioned Lakeshore Forest, Sections 1 and 2, Parkview Village, Section 2, Sunrise Bay, Sections 1 through 3, Crescent Oak Village, Sections 1 through 3, 6 and 7, Lakeshore Forest Estates, Villa Del Lago, Sections 1 and 2, Mustang Crossing and Jade Island with the proceeds of the sale of the Prior Bonds. The District also financed its costs of wastewater treatment and water supply with portions of the proceeds of the sale of the Prior Bonds as is described below.

- Wastewater Treatment -

Pursuant to the Contract for Regional Wastewater Treatment Facilities dated December 10, 1984, as amended, by and among the District, MUD No. 1, and Fort Bend County MUD No. 49, MUD No. 1 constructed a wastewater treatment plant to serve the three districts. The current capacity of the plant is 600,000 gallons-per-day. The District purchased capacity in the plant sufficient to provide service to approximately 933 connections with a portion of the proceeds of the sale of the Prior Bonds. According to the District's Engineer, the aforementioned current wastewater treatment capacity purchased with a portion of the proceeds of the Prior Bonds is sufficient to provide service to all of the connections located in or planned for the District upon full development of the District.

- Water Supply -

Pursuant to the Restated Joint Water Facilities Contract among the District, MUD No. 1 and MUD No. 49, dated July 1, 2000, the District has purchased with a portion of the proceeds of the sale of the Prior Bonds sufficient capacity in a water supply facility located within by MUD No. 1 to provide service to 582 connections located in the District, and in a water supply facility located within the District to provide service to 1,000 connections located in the District, which is sufficient to provide service to all of the connections located in or planned for the District upon full development of the District. The water supply system has two water interconnects, one with Quail Valley UD, and one with Thunderbird MUD. Such interconnects provide the District with emergency sources of water supply.

The District and MUD No. 1 are within the boundaries of the Fort Bend Subsidence District (the "Subsidence District"), which regulates groundwater withdrawal. The authority of the District and MUD No. 1 to pump groundwater is subject to an annual permit issued by the Subsidence District. On September 24, 2003, the Subsidence District issued a District Regulatory Plan (the "Plan") to reduce groundwater withdrawal through conversion to surface water or other alternative water sources in certain areas within the Subsidence District's jurisdiction. Under the Plan, the District and MUD No. 1 were required to have a groundwater reduction plan ("GRP") in place by 2008. In 2008, the City of Missouri City, the District and MUD No. 1 entered into a GRP, which is a regional groundwater reduction plan to reduce regional groundwater usage.

- Drainage Improvements -

The District financed its share of the cost of drainage facilities with a portion of the proceeds of the sale of the Prior Bonds. Such improvements include (i) the excavation of existing lakes located in the District, (ii) the purchase of land to be used as onsite retention lakes, and (iii) the payment of drainage impact fees.

- 100-Year Flood Plain -

According to the District's Engineer, a portion of the District is designated as being located within the 100-year flood plain as shown on the FEMA Flood Insurance Rate Map ("FIRM") for the City of Missouri City (Panel No. 481 57C 0295L) dated April 2, 2014.

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which FEMA has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100 year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100 year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100 year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. If substantial or frequent flooding of homes were to occur in the District, the marketing of homes and the maintenance or future growth of property values in the District could be adversely affected. However, the District's drainage system and the levee system that protects MUD No. 1 and a portion of the District does not protect against all flooding scenarios. There are instances in which flooding could occur in the District (1) an overtopping of the levee system that protects MUD No. 1 and a portion of the District, (2) a failure (or breach) of the levee system, or (3) localized rainfall in excess of the 100-year event.

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

Waterworks and Sewer System Operating Statement

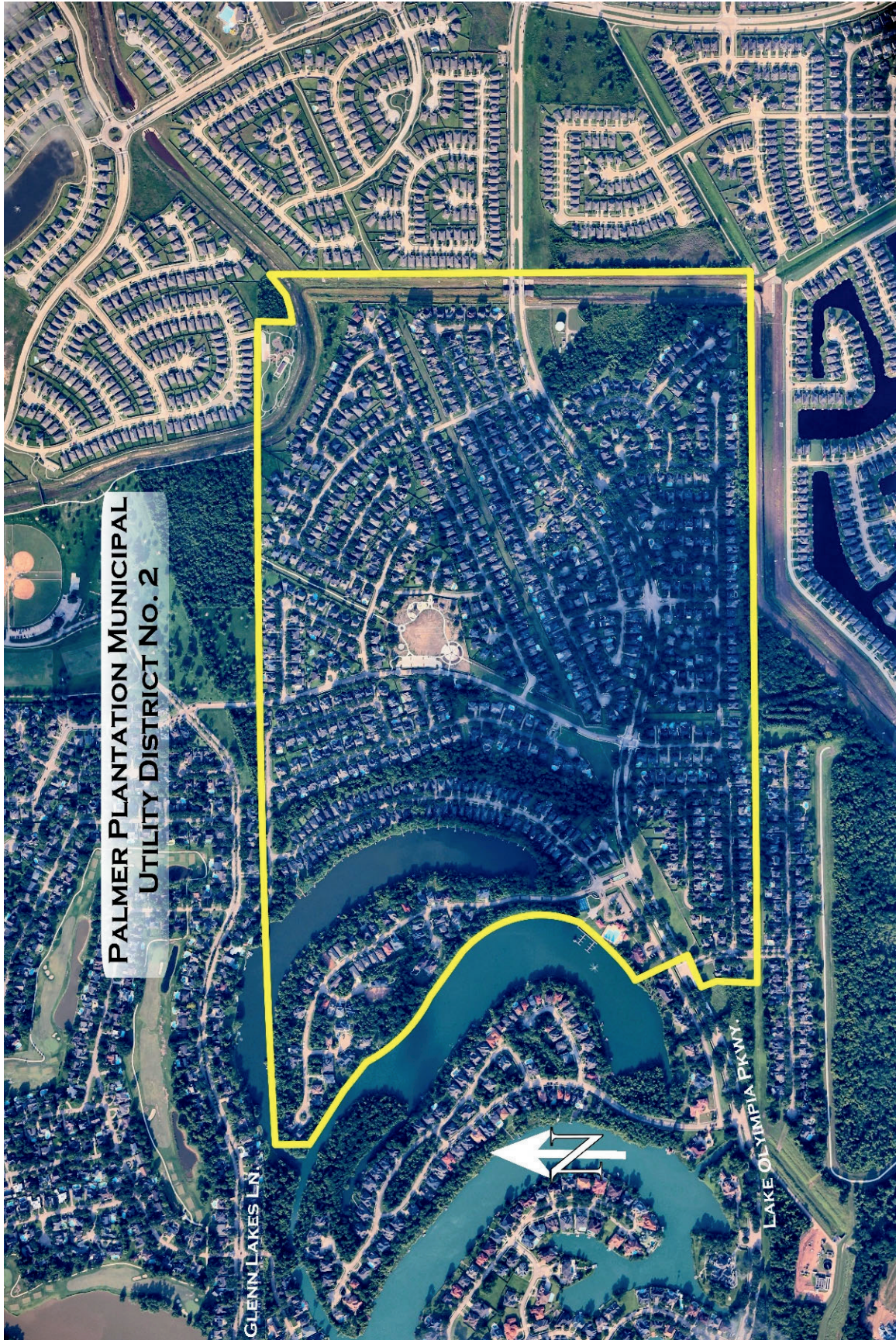
The following statement summarizes the operating history of the District's waterworks and sewer system for the fiscal years ended December 31, 2021, through 2025, and the five-month period ended May 31, 2026. The summary has been condensed from information contained in the District's audited financial statements, to which reference is made for more complete and further information, as to the fiscal years ended December 31, 2021, through 2025, and from an unaudited compilation supplied by the District's Bookkeeper with respect to the five-month period ended May 31, 2026. The derivation of Net Revenues which follows excludes depreciation expenses. See "APPENDIX B - ANNUAL FINANCIAL REPORT."

	Five-Month Period Period Ended May 31, 2026*	Fiscal Year Ended December 31				
		2025	2024	2023	2022	2021
REVENUES						
Property Taxes	\$558,219	\$588,887	\$544,014	\$317,219	\$218,234	\$145,299
Water Service	91,950	248,985	243,831	286,864	247,107	216,996
Wastewater Service	90,055	213,647	208,323	204,690	187,719	197,383
Surface Water Conversion	76,881	182,859	169,542	185,124	168,757	140,424
Garbage Service	102,882	190,404	186,429	177,429	168,892	168,037
Penalty and Interest	788	8,642	10,098	9,147	9,348	11,990
Tap Connection and Inspection Fees	3,843	21,264	8,762	236	1,903	13,353
Investment Revenues	16,858	41,292	72,203	47,958	15,004	6,042
Miscellaneous Revenues	<u>2,762</u>	<u>22,253</u>	<u>9,048</u>	<u>7,728</u>	<u>5,504</u>	
TOTAL REVENUES	<u>\$944,238</u>	<u>\$1,518,233</u>	<u>\$1,452,250</u>	<u>\$1,236,395</u>	<u>\$1,022,468</u>	<u>\$899,524</u>
EXPENDITURES						
Professional Fees	\$49,418	\$169,919	\$157,527	\$140,389	\$88,233	\$109,516
Contracted Services	79,958	295,351	288,329	289,401	277,939	280,497
Purchased Services	172,929	479,832	424,916	463,947	484,570	344,155
Utilities	597	3,364	3,242	3,798	3,122	3,067
Repairs and Maintenance	41,350	244,835	271,929	220,921	115,208	110,206
Tap Connections	2,386					8,940
Other	40,498	100,815	96,887	77,484	70,835	51,704
Capital Outlay	<u>132,222</u>	<u>671,615</u>	<u>500,950</u>	<u>49,368</u>	<u>196,212</u>	<u>17,422</u>
TOTAL EXPENDITURES	<u>\$519,358</u>	<u>\$1,920,578</u>	<u>\$1,694,575</u>	<u>\$1,211,226</u>	<u>\$1,236,119</u>	<u>\$925,507</u>
EXCESS REVENUES (EXPENDITURES)	<u>\$424,880</u>	<u>\$(402,345)</u>	<u>\$(242,325)</u>	<u>\$25,169</u>	<u>\$(213,651)</u>	<u>\$(25,983)</u>

* Unaudited.

The District's General Fund balance was \$409,490 at December 31, 2025 (audited), and according to the District's Bookkeeper, and as of May 20, 2026, was \$850,713 (unaudited).

AERIAL PHOTOGRAPH OF THE DISTRICT
(taken June 2026)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken June 2026)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken June 2026)



DISTRICT DEBT

General

The following tables and calculations relate to the Outstanding Bonds and the Bonds. The District is empowered to incur debt to be paid from revenues raised by taxation against all taxable property located within the District, and various other political subdivisions of government which overlap all or a portion of the District are empowered to incur debt to be paid from revenues raised or to be raised by taxation against all or a portion of property within the District.

Bonded Indebtedness

2025 Assessed Valuation.....	\$	307,362,757 (a)
(As of January 1, 2025)		
See "TAX DATA" and "TAXING PROCEDURES"		
2026 Preliminary Valuation.....	\$	317,513,979 (a)
(As of January 1, 2026)		
See "TAX DATA" and "TAXING PROCEDURES"		
Direct Debt:		
Outstanding Bonds.....	\$	570,000
The Bonds		<u>4,320,000</u>
Total	\$	4,890,000 (c)
Estimated Overlapping Debt	\$	
		<u>12,833,688</u>
Total Direct and Estimated Overlapping Debt	\$	17,723,688
Direct Debt Ratio		
: as a percentage of 2025 Assessed Valuation.....		1.59 %
: as a percentage of 2026 Preliminary Valuation.....		1.54 %
Direct and Overlapping Debt Ratio		
: as a percentage of 2025 Assessed Valuation.....		5.77 %
: as a percentage of 2026 Preliminary Valuation.....		5.58 %
Debt Service Fund Balance Estimated as of Delivery of the Bonds.....	\$	968,956 (d)
General Fund Balance as of May 20, 2026.....	\$	850,713
(In process of collection.).....		96.16 %

-
- (a) As of January 1, 2025, and comprises the District's 2025 tax roll. All property located in the District is valued on the tax rolls by the Fort Bend Central Appraisal District (the "Appraisal District") at 100% of assessed valuation as of January 1 of each year. The District's tax roll is certified by the Fort Bend Central Appraisal Review Board (the "Appraisal Review Board"). See "INVESTMENT CONSIDERATIONS - Common Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."
- (b) This amount is the sum of the preliminary values of all taxable property located within the District as of January 1, 2026, as reflected on the District's preliminary 2026 tax roll supplied to the District by the Appraisal District, and includes the preliminary 2026 values resulting from the construction of taxable improvements from January 1, 2025, through December 31, 2025. The District's ultimate 2026 Assessed Valuation may vary significantly from such preliminary tax roll once the Appraisal Review Board certifies the value thereof for 2026.
- (c) The District has timely paid all interest on the Prior Bonds when due. The District financed portions of the cost of acquiring or constructing components of the System that are described in this Official Statement under the caption "THE SYSTEM" with portions of the proceeds of the sale of the Prior Bonds. The District is financing portions of the cost of acquiring or constructing components of the System that are described in this Official Statement under the caption "USE AND DISTRIBUTION OF BOND PROCEEDS," and other items, with portions of the proceeds of the

sale of the Bonds. The District expects to finance the acquisition or construction of additional components of or improvements to the System with the proceeds of the sale of bonds, if any, by the District in the future. See “THE BONDS - Legal Ability to Issue Additional Debt” and “INVESTMENT CONSIDERATIONS - Future Debt.”

- (d) Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Debt Service Fund. Such fund balance gives effect to the payment by the District of its debt service requirements on the Outstanding Bonds that were due on March 1, 2026, and the deposit by the District of capitalized interest on the Bonds in an amount not to exceed \$226,800 upon the delivery of the Bonds. The District’s initial debt service requirement on the Bonds, consisting of an interest payment thereon, is due on March 1, 2027.
- (e) The District levied a total tax rate of \$0.345 per \$100 of Assessed Valuation for 2025, consisting of debt service and maintenance taxes of \$0.15 and \$0.195 per \$100 of Assessed Valuation, respectively. As is enumerated in this Official Statement under the caption “TAX DATA - Estimated Overlapping Taxes,” the total of the 2025 tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District’s 2025 total rate of \$0.345 per \$100 of Assessed Valuation, is \$2.394725 per \$100 of Assessed Valuation. Such aggregate levy is higher than the aggregate tax levies of some municipal utility districts in the Houston metropolitan area, including the area of the District, but is within the range of the aggregate levies of many municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District. See “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments” and “TAXING PROCEDURES.”

Estimated Direct and Overlapping Debt Statement

The following statement indicates the direct and estimated overlapping debt of the District. The table includes the estimated amount of indebtedness of governmental entities overlapping the District, defined as outstanding bonds payable from ad valorem taxes, and the estimated percentages and amounts of such indebtedness attributable to property located within the District. This information is based upon data secured from the individual jurisdictions and/or the Texas Municipal Reports published by the Municipal Advisory Council of Texas. The calculations by which the statement was derived were made in part by comparing the reported assessed valuation of the property in the overlapping taxing jurisdictions with the Assessed Valuation of property within the District. No effect has been given to the tax burden levied by any applicable taxing jurisdiction for maintenance and operational or other purposes.

<u>Taxing Jurisdiction</u>	<u>Debt as of June 1, 2026</u>	<u>Estimated Overlapping Percent</u>	<u>Amount</u>
Fort Bend County	\$642,391,310	0.237%	\$1,524,793
Fort Bend County Drainage	20,585,000	0.239%	49,202
Fort Bend ISD	1,297,633,767	0.588%	7,625,298
City of Missouri City	155,195,000	2.342%	<u>3,634,395</u>
Total Estimated Overlapping Debt			\$12,833,688
Total Direct Debt (the Bonds and the Outstanding Bonds) *			<u>4,890,000</u>
Total Direct and Estimated Overlapping Debt			<u>\$17,723,688</u>

* See “Bonded Indebtedness” above.

Debt Ratios

	<u>% of 2025 Assessed Valuation</u>	<u>% of 2026 Preliminary Valuation</u>
Direct Debt.....	1.59%	1.54%
Direct and Estimated Overlapping Debt.....	5.77%	5.58%

Under Texas law ad valorem taxes levied by each taxing authority other than the District create a lien which is on a parity with the lien in favor of the District on all taxable property within the District. In addition to the ad valorem taxes required to retire the foregoing direct and overlapping debt, the various taxing authorities mentioned above also are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administration and/or general revenue purposes. Certain of the jurisdictions have in the past levied such taxes. The District has the power to assess, levy and collect ad valorem taxes for operation and maintenance purposes in an amount not to exceed \$0.20 per \$100 of Assessed Valuation, and such taxes have been authorized and levied by the duly qualified voters of the District. The District has levied a maintenance tax of \$0.195 per \$100 of Assessed Valuation in 2025. See "TAX DATA - Maintenance Tax."

Debt Service Requirement Schedule

The following schedule sets forth the debt service requirements for the Outstanding Bonds, plus the estimated principal and interest requirements of the Bonds.

Year Ending December 31	Current Total Debt Service	Plus: The Bonds		New Total Debt Service
		Principal	Interest*	
2026	\$592,800			\$592,800
2027			\$245,700	245,700
2028		\$100,000	226,800	326,800
2029		105,000	221,550	326,550
2030		110,000	216,038	326,038
2031		120,000	210,263	330,263
2032		125,000	203,963	328,963
2033		130,000	197,400	327,400
2034		140,000	190,575	330,575
2035		145,000	183,225	328,225
2036		150,000	175,613	325,613
2037		160,000	167,738	327,738
2038		170,000	159,338	329,338
2039		180,000	150,413	330,413
2040		185,000	140,963	325,963
2041		195,000	131,250	326,250
2042		205,000	121,013	326,013
2043		220,000	110,250	330,250
2044		230,000	98,700	328,700
2045		240,000	86,625	326,625
2046		255,000	74,025	329,025
2047		270,000	60,638	330,638
2048		280,000	46,463	326,463
2049		295,000	31,763	326,763
2050		310,000	16,275	326,275
	\$592,800	\$4,320,000	\$3,466,581	\$8,379,381
Average Annual Requirements: (2027-2050)				\$324,441
Maximum Annual Requirement: (2047)				\$330,638

* Interest is estimated at 5.25% per annum for purposes of illustration.

TAX DATA

Debt Service Tax

All taxable property within the District is subject to the assessment, levy and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Remaining Outstanding Bonds, the Bonds and any future tax-supported bonds which may be issued from time to time as authorized. The Board covenants in the Bond Order to assess and levy, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds when due. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. The District levied a debt service tax of \$0.15 per \$100 of Assessed Valuation for 2025 and in prior years as is illustrated below under the caption "Tax Rate Distribution."

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by a vote of the District's electorate. On August 14, 1993, the Board was authorized to levy such a maintenance tax in an amount not to exceed \$0.20 per \$100 of assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any tax supported bonds which may be issued in the future. The District levied a maintenance tax of \$0.195 per \$100 of Assessed Valuation for 2025 and in prior years as is illustrated below under the caption "Tax Rate Distribution."

Historical Values and Tax Collection History

The following statement of tax collections sets forth in condensed form the historical Assessed Valuation and tax collections of the District. Such summary has been prepared for inclusion herein based upon information obtained from District records. Reference is made to such records, including the District's annual audited financial statements, for more complete information.

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate^(a)</u>	<u>Adjusted Levy</u>	<u>% Collections</u>	
				<u>Current & Prior Years^(b)</u>	<u>Year Ended 09/30</u>
2015	\$181,547,019	0.490	\$889,580	100.00%	2016
2016	192,750,307	0.460	886,651	100.00	2017
2017	198,820,686	0.450	894,693	100.00	2018
2018	200,519,210	0.450	902,336	100.00	2019
2019	204,979,503	0.450	922,407	99.94	2020
2020	209,187,986	0.450	941,346	99.84	2021
2021	216,348,936	0.450	973,570	96.74	2022
2022	246,622,977	0.440	1,085,141	99.75	2023
2023	276,415,054	0.400	1,105,660	96.67	2024
2024	297,113,469	0.366	1,087,435	99.12	2025
2025	307,362,757	0.345	1,060,402	96.16(c)	2026

(a) Per \$100 of Assessed Valuation.

(b) Such percentages reflect cumulative total collections for each year from the time each respective annual tax was levied through May 31, 2026. The amount of tax collected for each levy on a current basis (by September 30 of the year following each respective annual levy) is not reflected in this statement.

(c) As of May 31, 2026. In process of collection.

Tax Rate Distribution

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Debt Service	\$0.150	\$0.170	\$0.20	\$0.31	\$0.35
Maintenance and Operation	<u>0.195</u>	<u>0.196</u>	<u>0.20</u>	<u>0.13</u>	<u>0.10</u>
Total	\$0.345	\$0.366	\$0.40	\$0.44	\$0.45

Analysis of Tax Base

The following table illustrates the composition of property located within the District during the past five years.

<u>Type of Property</u>	<u>2025</u>		<u>2024</u>		<u>2023</u>	
	<u>Assessed Value</u>	<u>%</u>	<u>Assessed Value</u>	<u>%</u>	<u>Assessed Value</u>	<u>%</u>
Land	\$53,908,344	17.52%	\$54,018,183	18.18%	\$40,897,991	14.80%
Improvements	269,872,594	87.72%	277,057,647	93.25%	284,465,853	102.91%
Personal Property	4,053,885	1.32%	3,394,247	1.14%	3,178,506	1.15%
Exemptions	<u>(20,192,464)</u>	<u>-6.56%</u>	<u>(37,356,608)</u>	<u>-12.57%</u>	<u>(52,127,296)</u>	<u>-18.86%</u>
Total	\$307,642,359	100.00%	\$297,113,469	100.00%	\$276,415,054	100.00%

<u>Type of Property</u>	<u>2022</u>		<u>2021</u>	
	<u>Assessed Value</u>	<u>%</u>	<u>Assessed Value</u>	<u>%</u>
Land	\$38,914,060	15.78%	\$38,281,414	17.69%
Improvements	251,473,205	101.97%	186,490,154	86.20%
Personal Property	2,751,550	1.12%	2,676,420	1.24%
Exemptions	<u>(46,515,838)</u>	<u>-18.86%</u>	<u>(11,099,049)</u>	<u>-5.13%</u>
Total	\$246,622,977	100.00%	\$216,348,939	100.00%

Exemptions

The District has adopted a \$30,000 residential homestead exemption for persons 65 years or older or disabled persons. See "TAXING PROCEDURES."

Principal 2025 Taxpayers

Based upon information supplied by the District’s Tax Assessor/Collector, the following table lists principal District taxpayers, type of property owned by such taxpayers, and the Assessed Valuation of such property as of January 1, 2025. The information reflects the composition of the Appraisal District’s record of property ownership as of January 1, 2025.

<u>Property Owner</u>	<u>Property Description</u>	<u>2025 Property Value</u>	<u>% of 2025 Assessed Valuation</u>
Comcast of Houston LLC	Personal Property	\$1,754,010	0.57%
Centerpoint Energy Electric	Utilities	1,004,580	0.33%
Homeowner	Land and Improvements	825,000	0.27%
Homeowner	Land and Improvements	792,520	0.26%
Homeowner	Land and Improvements	790,299	0.26%
Homeowner	Land and Improvements	779,887	0.25%
Homeowner	Land and Improvements	779,080	0.25%
Homeowner	Land and Improvements	775,120	0.25%
Homeowner	Land and Improvements	730,441	0.24%
Homeowner	Land and Improvements	<u>721,968</u>	<u>0.23%</u>
		\$8,952,905	2.91%

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Assessed Valuation which would be required to meet certain debt service requirements if no growth in the District occurs beyond the 2025 Assessed Valuation or the 2026 Preliminary Valuation. The calculations also assume collection of 95% of taxes levied, no use of other legally available District funds on hand, and the sale of no additional bonds by the District other than the Outstanding Bonds and the Bonds. As outlined above under the caption “Historical Values and Tax Collection History,” the District has, as of May 31, 2026, collected an average annual percentage of its property taxes of 99.81% for the period 2015 through 2024, and its 2025 tax levy was 96.16% collected as of such date.

Average Annual Debt Service Requirements (2027-2050).....	\$324,441
Tax Rate of \$0.12 on the 2025 Assessed Valuation (\$307,362,757) produces.....	\$350,394
Tax Rate of \$0.11 on the 2026 Preliminary Valuation (\$317,513,979) produces.....	\$331,802
Maximum Annual Debt Service Requirement (2047)	\$330,638
Tax Rate of \$0.12 on the 2025 Assessed Valuation (\$307,362,757) produces.....	\$350,394
Tax Rate of \$0.11 on the 2026 Preliminary Valuation (\$317,513,979) produces.....	\$331,802

The District levied a tax rate of \$0.345 per \$100 of Assessed Valuation for 2025, consisting of debt service and maintenance taxes of \$0.15 and \$0.195 per \$100 of Assessed Valuation, respectively. As the above table indicates, the 2025 debt service tax rate of \$0.15 per \$100 of Assessed Valuation will be sufficient to pay the Average Annual and Maximum Annual Debt Service Requirements on the Outstanding Bonds and the Bonds, assuming taxable values in the District at the level of the 2025 Assessed Valuation or the 2026 Preliminary Valuation, assuming a tax collection rate of 95%, no use of funds on hand, and the issuance of no additional bonds by the District other than the Bonds and the Prior Bonds. In addition, as is stated above under the caption “Historical Values and Tax Collection History,” the District had collected an average of 99.81% of its tax levies for the period 2015 through 2024, as of May 31, 2026, and its 2025 tax levy was 96.16% collected as of such date. Moreover, the District’s Debt Service Fund balance is estimated to be \$968,956 as of the date of delivery of the Bonds. Although neither Texas law nor the Bond Order requires that any specific amount be retained in the Debt Service Fund at any time, the District expects to apply earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Bonds and the Outstanding Bonds. The District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds as is

delineated in “APPENDIX B – ANNUAL FINANCIAL REPORT” that is appended to this Official Statement. Therefore, the District anticipates that it will be able to meet the debt service requirements of the Bonds and the Outstanding Bonds without increasing the tax rate for debt service above the debt service rate which the District has levied for 2025 - \$0.15 per \$100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. See “INVESTMENT CONSIDERATIONS - Common Factors Affecting Taxable Values and Tax Payments” and “TAXING PROCEDURES.”

Estimated Overlapping Taxes

Property located within the District is subject to taxation by several taxing authorities in addition to the District. Set forth below is a compilation of all 2025 taxes levied upon property located within the District plus the District’s 2025 tax rate. Under Texas law, ad valorem taxes levied by each taxing authority other than the District entitled to levy taxes against property located within the District create a lien which is on a parity with the tax lien of the District. In addition to the ad valorem taxes required to make the debt service payments on bonded debt of the District and of such other jurisdictions (see “DISTRICT DEBT- Estimated Direct and Overlapping Debt Statement”), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

<u>Taxing Jurisdiction</u>	<u>2025 Tax Rate Per \$100 of A.V.</u>
The District*	\$0.345000
Fort Bend County	0.412000
Fort Bend County Drainage	0.010000
Fort Bend Independent School District	1.056900
City of Missouri City	<u>0.570825</u>
Total Tax Rate	\$2.394725

* The District levied a total tax of \$0.345 per \$100 of Assessed Valuation for 2025, consisting of debt service and maintenance taxes of \$0.15 and \$0.195 per \$100 of Assessed Valuation, respectively.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate and amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Outstanding Bonds, the Bonds and any additional bonds payable from taxes which the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year to year as described more fully under the caption “THE BONDS - Source of Payment.” The Board is also authorized to levy and collect annual ad valorem taxes for the administration and maintenance of the District and the System and for the payment of certain contractual obligations if such taxes are authorized by vote of the District’s electors at an election. The District’s electors have authorized the levy of such a maintenance tax in the maximum amount of \$0.20 per \$100 of assessed valuation. The District levied a tax rate of \$0.345 per \$100 of Assessed Valuation for 2025, consisting of debt service and maintenance taxes of \$0.15 and \$0.195 per \$100 of Assessed Valuation, respectively. See “TAX DATA - Maintenance Tax” and - “Historical Values and Tax Collection History.”

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here. The Property Tax Code requires, among other matters, county wide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing

values established by the appraisal district. The Fort Bend Central Appraisal District (the “Appraisal District”) has the responsibility of appraising property for all taxing units within Fort Bend County, including the District. Such appraisal values will be subject to review and change by the Fort Bend Central Appraisal Review Board (the “Appraisal Review Board”). The appraisal roll, as approved by the Appraisal Review Board, will be used by the District in establishing its tax rolls and tax rate.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District’s preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran’s residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran’s residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran’s exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran’s disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of (i) a member of the armed forces or (ii) a first responder (as defined under Texas law) who was (i) killed in action, or (ii) fatally injured in the line of duty, is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by May 1. For the 2026 tax year, the District has not granted a general residential homestead exemption. See “TAX DATA - Exemptions.”

Freeport Goods Exemption: A “Freeport Exemption” applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining oil or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A “Goods-in-Transit” Exemption is applicable to certain tangible personal property, as defined by the Property Tax Code, acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not

in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. The exemption excludes oil, natural gas, petroleum products, aircraft and certain special inventory including dealer's motor vehicles, dealer's vessel and outboard motor vehicle, dealer's heavy equipment and retail manufactured housing inventory. The exemption applies to covered property if it is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. However, taxing units who took official action as allowed by prior law before September 1, 2011, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. The District has taken official action to allow taxation of all such goods-in-transit personal for the tax year 2011 and prior years, but has not taken official action to allow taxation of all such goods in transit personal property for tax year 2012 and subsequent years.

Assessment and Levy

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements to the property. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

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

The chief appraiser must give written notice on May 15, or as soon thereafter as practicable to each owner if the appraised value of his property is greater than it was in the preceding year, if the appraised value of the property is greater than the value rendered by the property owner, or if the property was not on the appraisal roll in the preceding year. In addition, the chief appraiser must give written notice to each property owner whose property was reappraised in the current year or if ownership of the property changed during the preceding year. The appraisal review board has the ultimate responsibility for determining the value of all taxable property within the District; however, any owner who has timely filed notice with the appraisal review board may appeal the final determination by the appraisal review board by filing suit in Texas district court. Prior to such appeal and prior to the delinquency date, however, the owner must pay the tax due on the amount of value of the property involved that is not in dispute or the amount of tax paid in the prior year, whichever is greater, or the amount of tax due under the order from which the appeal is taken. In the event of such suit, the value of the property is determined by the court, or a jury if requested by any party. Additionally, the District is entitled to challenge certain matters before the appraisal review board, including the level of appraisals of a certain category of property, the exclusion of property from the appraisal records, or the grant in whole or in part of a partial exemption. The District may not, however, protest a valuation of individual property.

By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board based upon the assessed valuation of property within the District as of the preceding January 1 and the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations.

Tax Abatement

The City of Missouri City and Fort Bend County may designate all or part of the area within the District as a reinvestment zone, and Fort Bend County, the City of Missouri City and the District may thereafter enter into tax abatement agreements with owners of real property within the zone with each taxing jurisdiction's agreement affecting its own tax roll. The tax abatement agreements exempt from ad valorem taxation by the applicable taxing jurisdiction (including the District with the District's consent) for a period of up to 10 years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. In certain instances, personal property also may be eligible for tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by other taxing jurisdictions.

District and Taxpayer Remedies

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

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

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

Collection

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. The District adopts its tax rate each year after it receives a tax roll certified by the Appraisal District. Taxes are due upon receipt of a bill therefor, and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. A delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid beginning the first calendar month it is delinquent. A delinquent tax also incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent plus a one percent (1%) penalty 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. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent, which penalty remains at such rate without further increase. If the tax is not paid by July 1, an additional penalty of up to the amount of the compensation specified in the District's contract with its delinquent tax collection attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District. With respect to personal property taxes that become delinquent on or after February 1 of a year and that remain delinquent sixty (60) days after the date on which they become delinquent, as an alternative to the penalty described in the foregoing sentence, an additional penalty on personal property of up to the amount specified in the District's contract with its delinquent tax attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District prior to July 1. The District's contract with its delinquent tax collection attorney currently specifies a twenty percent (20%) additional penalty. The District may waive penalties and interest on delinquent taxes only for the items

specified in the Texas Property Tax Code. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas law, is entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes with the District in the preceding 24 months.

Rollback of Operation and Maintenance Tax Rate

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

Special Taxing Units

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

Developed Districts

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

Developing Districts

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

The District

A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation. For the 2026 tax rate year, a determination has been made by the District's Board of Directors that the District is a Developing District.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property against which the tax is levied. In addition, on January 1, of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units (see "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement"). A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. Further, personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalties, and interest.

Except with respect to (i) owners of residential homestead property who are sixty-five (65) years of age or older or under a disability as described above and who have filed an affidavit as required by law, and (ii) owners of residential homesteads who have entered into an installment agreement with the District for payment of delinquent taxes as described above and who are not in default under said agreement, at any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, or by taxpayer redemption rights (a taxpayer may redeem property that is a residence homestead or was designated for agricultural use within two (2) years after the deed issued at foreclosure is filed of record and may redeem all other property within six (6) months after the deed issued at foreclosure is filed of record) or by bankruptcy proceedings which restrict the collection of taxpayer debt. The District's ability to foreclose its tax lien or collect penalties and interest may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act 12 U.S.C. 1825, as amended. Generally, the District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. See "INVESTMENT CONSIDERATIONS - Tax Collection Limitations."

Agricultural, Open Space, Timberland and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use for the three (3) years prior to the loss of the designation for agricultural, timberland or open space land. According to the District's Tax Assessor/Collector, as of January 1, 2026, no land within the District was designated for agricultural use, open space, inventory deferment, or timberland.

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and not of the State of Texas, Fort Bend County, the City of Missouri City, Texas, or any political subdivision other than the District, are secured by an annual ad valorem tax, without legal limitation as to rate or amount, levied on all taxable property located within the District and are further payable from and secured by a pledge of and lien on certain Net Revenues (as defined herein), if any, of the District's waterworks and sewer system (the "System"), to the extent and upon the conditions described herein. The System is not expected to produce sufficient Net Revenues to make significant contributions, if any, to future debt service payments. See "THE BONDS - Source of Payment." The ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to (i) collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities, and (ii) generate Net Revenues from the operation of the District's System. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners, or that any Net Revenues will be generated. See "THE SYSTEM -Waterworks and Sewer System Operating Statement."

Common Factors Affecting Taxable Values and Tax Payments

The land located within the District has been developed for single-family residential purposes. A substantial percentage of the assessed valuation of the property located within the District is attributable to the current market value of single-family residences that have been constructed within the District and of the single-family residential lots that have been developed within the District. The market value of residential dwellings can be significantly affected by factors such as interest rates, credit availability, construction costs, energy costs and availability, the level of residential foreclosures, and the prosperity and demographic characteristics of the urban center toward which the sale and resale of such residences is directed. Recent changes in federal tax law limiting deductions for ad valorem taxes may adversely affect the demand for housing and the prices thereof. Volatility in the price of oil could adversely affect job stability, wages and salaries, thereby negatively affecting the demand for housing as well as the value of existing homes (see "Potential Effects of Oil Price Volatility on the Houston Area" below). Although single-family development of the District and home construction have occurred in the District as described in this Official Statement under the caption "DEVELOPMENT OF THE DISTRICT," the District cannot predict the pace or magnitude of any home construction that might occur in the District in the future. The fully developed lots located within the District on which home construction has not commenced or been completed are owned by multiple parties, including individual purchasers. See "TAX DATA - Principal 2025 Property Owners." There is currently no home building program within the District.

National Economy: The commercial development and building industry has historically been a cyclical industry, affected by both short-term and long-term interest rates, availability of mortgage and development funds, employment levels and general economic conditions. Although single-family development of the District and home construction have occurred in the District as described in this Official Statement under the caption "DEVELOPMENT OF THE DISTRICT," the District cannot predict the pace or magnitude of any home construction that might occur in the District in the future. The fully developed lots located within the District on which home construction has not commenced or been completed are owned by multiple parties, including individual purchasers. See "TAX DATA - Principal 2025 Property Owners." There is currently no home building program within the District. The District cannot predict what impact, if any, a downturn in the local and national housing and financial markets may have on the Houston market generally and the District specifically.

Credit Markets and Liquidity in the Financial Markets: Interest rates and the availability of mortgage and development funding have a direct impact on the construction of homes, particularly short-term interest rates at which homebuilders are able to finance the construction of new homes for sale. Interest rate levels may affect the ability of homebuilders to initiate the construction of new homes for sale. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for home construction within the District. In addition, since the District is located approximately 21 miles west of the central downtown business district of the City of Houston, the success of home

construction within the District and growth or maintenance of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A continued downturn in the economic conditions of Houston and further decline in real estate and financial markets in the United States could adversely affect homebuilding plans in the District and restrain the growth of the District's property tax base.

Maximum Impact on District Tax Rates

Assuming no further construction of taxable improvements within the District other than those which have heretofore been constructed, and no additional development in the District other than the development which has occurred to date, the value of the land and improvements currently located within the District will be a major determinant of the ability of the District to collect, and the willingness of District property owners to pay, ad valorem taxes levied by the District. After issuance of the Bonds, the Maximum Annual Debt Service Requirement of the Outstanding Bonds and the Bonds will be \$330,638 (2047) and the Average Annual Debt Service Requirements will be \$324,441 (2027 through 2050 inclusive). The 2025 Assessed Valuation of property within the District is \$307,362,757. Assuming no increase to or decrease from the 2025 Assessed Valuation, the issuance of no additional bonds by the District, and no use of other legally available District funds, a tax rate of \$0.12 per \$100 of Assessed Valuation at a 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively. The 2026 Preliminary Valuation of property within the District is \$317,513,979. Assuming no increase to or decrease from the 2026 Preliminary Valuation, the issuance of no additional bonds by the District, and no use of other legally available District funds, a tax rate of \$0.11 per \$100 of Assessed Valuation at a 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively.

The District levied a tax rate of \$0.345 per \$100 of Assessed Valuation for 2025, consisting of debt service and maintenance taxes of \$0.15 and \$0.195 per \$100 of Assessed Valuation, respectively. As the above calculations indicate, the 2025 debt service tax rate of \$0.15 per \$100 of Assessed Valuation will be sufficient to pay the Average Annual and Maximum Annual Debt Service Requirements on the Outstanding Bonds and the Bonds, assuming taxable values in the District at the level of the 2025 Assessed Valuation or the 2026 Preliminary Valuation, assuming a tax collection rate of 95%, no use of funds on hand, and the issuance of no additional bonds by the District other than the Bonds and the Prior Bonds. In addition, as is illustrated under the caption "TAX DATA - Historical Values and Tax Collection History," the District had collected an average of 99.81% of its tax levies for the period 2015 through 2024, as of May 31, 2026, and its 2025 tax levy was 96.16% collected as of such date. Moreover, the District's Debt Service Fund balance is estimated to be \$968,956 as of the date of delivery of the Bonds. Although neither Texas law nor the Bond Order requires that any specific amount be retained in the Debt Service Fund at any time, the District expects to apply earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Bonds and the Outstanding Bonds. The District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds as is delineated in "APPENDIX B – ANNUAL FINANCIAL REPORT" that is appended to this Official Statement. Therefore, the District anticipates that it will be able to meet the debt service requirements of the Bonds and the Outstanding Bonds without increasing the tax rate for debt service above the debt service rate which the District has levied for 2025 - \$0.15 per \$100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. See "THE BONDS - Registered Owners' Remedies," "TAXING PROCEDURES," and "TAX DATA - Estimated Overlapping Taxes."

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions affecting the marketability of taxable property within the District and limitation of the proceeds from a foreclosure sale of such property, (d) adverse effects on the proceeds of a foreclosure sale resulting from a taxpayer's limited right to redeem its foreclosed property as set forth below, or (e) insufficient foreclosure bids to satisfy the tax liens of all taxing authorities which have parity liens on the property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Moreover, the value of the property to be sold for delinquent taxes and thereby the potential sales

proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayers' right to redeem residential or agricultural use property within two (2) years of foreclosure and all other property within six (6) months of foreclosure. See "TAXING PROCEDURES."

Production of Net Revenues

The Net Revenues, if any, to be derived from the operation of the System are entirely dependent upon sales of water and sewer services to current and future residents and users of the System and related operating expenses. The District does not expect that the operation of the System will produce net operating revenue sufficient to make a substantial contribution, if any, to the District's debt service requirements. See "THE SYSTEM - Waterworks and Sewer System Operating Statement."

Registered Owners' Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Order does not provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas legislature, a default by the District in its covenants in the Bond Orders may not be reduced to a judgement for money damages. Even if Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies.

The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, a suit seeking the remedy of mandamus would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See "THE BONDS - Registered Owners' Remedies."

The District may not be placed into bankruptcy involuntarily.

Future Debt

The District has reserved in the Bond Order the right to issue the remaining \$10,895,000 in bonds for refunding purposes, the remaining \$3,440,000 for waterworks, sanitary sewer, and drainage facilities, and such additional bonds as may hereafter be approved by both the Board of Directors and voters of the District. The District also has reserved the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Order. In addition to authorization by the voters in the District, the issuance of such bonds for waterworks, sanitary sewer and drainage facilities is also subject to TCEQ authorization. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. The District will finance the acquisition or construction of components of the System and other facilities with portions of the proceeds of the sale of the Bonds as is enumerated in this Official Statement under the caption "USE AND DISTRIBUTION OF BOND PROCEEDS." The District expects to finance the acquisition or construction of additional components of or improvements to the System with the proceeds of the sale of bonds, if any, by the District in the future. See "THE BONDS - Legal Ability to Issue Additional Debt" and "THE SYSTEM."

Marketability

The District has no understanding (other than the initial reoffering yields) with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. There is no assurance that a secondary market will be made for the Bonds. If there is a secondary market, the difference between the bid and

asked price of the Bonds may be greater than the bid and asked spread of other bonds generally bought, sold or traded in the secondary market. See “SALE AND DISTRIBUTION OF THE BONDS.”

Continuing Compliance with Certain Covenants

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

Environmental Regulations

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

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

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

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

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

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

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

attainment deadlines. These additional controls could have a negative impact on the HGB Area's economic growth and development.

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

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

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

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

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

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

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

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

Tax Payment Installments after Disaster

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

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

Extreme Weather Events

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

The greater Houston area, including the District, has experienced multiple storms exceeding a 0.2% probability (i.e., “500 year flood” events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. However, according to the District’s Engineer, the District’s System did not sustain any material damage and there was no interruption of water and sewer service from Hurricane Harvey. Further, according to the District’s Engineer, after investigation, although the District experienced street flooding, there was no apparent material wind or water damage to the residential or commercial improvements within the District.

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

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

Potential Effects of Oil Price Volatility on the Houston Area

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

Changes in Tax Legislation

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

Approval of the Bonds

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

LEGAL MATTERS

Legal Opinions

The District will furnish the Underwriter a transcript of certain certified proceedings incident to the authorization and issuance of the Bonds. Such transcript will include a certified copy of the approving opinions of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and binding obligations of the District. The District will also furnish the approving legal opinions of Bond Counsel to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas. The legal opinions of Bond Counsel will further state that the Bonds, including principal of and interest thereon, are payable from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property located within the District, and are further payable from and secured by a pledge of and lien on the Net Revenues, if any, of the System. Bond Counsel's opinions will also address the matters described below under the caption "TAX MATTERS." Bond Counsel's fees for services rendered with respect to the sale of the Bonds are contingent upon the issuance and delivery of the Bonds. Bond Counsel acts as counsel for the District on matters other than the issuance of bonds.

In its capacity as Bond Counsel, Wallace & Philbin, L.L.P., has reviewed the information appearing in this Official Statement under "THE BONDS (except the for the information under the subheading "Book-Entry-Only System")," "TAXING PROCEDURES," "THE DISTRICT - Authority" and - "Management of the District - Counsel," "LEGAL MATTERS - Legal Opinions," "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION (except the for the information under the subheading "Compliance With Prior Undertakings")" solely to determine whether such information fairly summarizes the procedures, law and documents referred to therein and conforms to the requirements of applicable laws and ordinances of the City of Houston, Texas, with regard to the sale of the Bonds. Bond Counsel has not, however, independently verified any of the other factual information contained in this Official Statement, nor has Bond Counsel conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of the information contained in this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for, or an expression of opinions of any kind with regard to, the accuracy or completeness of any of the other factual information contained herein.

No Arbitrage

The District will certify on the date the Bonds are delivered and paid for that based upon all facts and estimates now known or reasonably expected to be in existence, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under Section 148 of the Internal Revenue Code of 1986 (the "Code") and the regulations prescribed from time to time thereunder. Furthermore, all officers, employees and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District have been authorized to certify to the facts, circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District will covenant in the Bond Order that it will make such use of the proceeds of the Bonds, regulate investments of proceeds of the Bonds and take such other and further actions and follow such procedures,

including without limitation, calculation of the yield on the Bonds, as may be required so that the Bonds will not become “arbitrage bonds” under the Code and the regulations prescribed from time to time thereunder.

No Material Adverse Change

The obligations of the Underwriter to take up and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the financial condition of the District subsequent to the date of sale from that set forth in the Preliminary Official Statement, as it may have been finalized, supplemented or amended through the date of sale. As is stated in this Official Statement under the caption “SALE AND DISTRIBUTION OF THE BONDS - Municipal Bond Insurance and Ratings,” if the Underwriter elects to purchase municipal bond insurance on the Bonds, the rating of the insurer’s creditworthiness by any rating agency does not and will not in any manner affect the District’s financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not and will not constitute a change, material or otherwise, in the District’s financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligations to take up and pay for the Bonds.

No-Litigation Certificate

The District will furnish to the Underwriter a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature has been filed or is then pending or threatened, of which the District has notice, either in state or federal courts, contesting or attacking the Bonds; to restrain or enjoin the issuance, execution or delivery of the Bonds; which would affect the provisions made for the payment of or security for the Bonds; which would in any manner question the authority or proceedings for the issuance, execution, or delivery of the Bonds; or which would affect the validity of the Bonds.

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, Wallace & Philbin, L.L.P., Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”) (1) interest on the Bonds will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes; and (2) the Bonds will not be treated as “specified private activity bonds” the interest on which would be included in the alternative minimum taxable income of individuals under section 57(a)(5) of the Code or, except as described below, corporations. Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

In rendering its opinion, Bond Counsel will rely upon (a) the District’s federal tax certificate, and (b) covenants of the District with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matter. Failure by the District to observe the aforementioned representations or covenants, could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

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

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

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

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for the Bonds, as stated on the cover of the Official Statement, may be less than the principal amount thereof (the “Original Issue Discount Bonds”). As such, the difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds.

Under Existing Law, such an owner is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period for which such Original Issue Discount Bond continues to be owned by such owner. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

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

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

Collateral Federal Income Tax Consequences

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

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

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

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

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

State, Local and Foreign Taxes

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

Information Reporting and Backup Withholding

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

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a “financial institution,” on indebtedness incurred or continued to purchase or carry tax exempt obligations is not deductible by such taxpayer in determining taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer which is a “financial institution” allocable to tax exempt obligations, other than “specified private activity bonds,” which are designated by a “qualified small issuer” as “qualified tax exempt obligations.” A “qualified small issuer” is any governmental issuer (together with any subordinate issuers) who issues no more than \$10,000,000 of tax exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term “financial institution” as referring to any corporation described in section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person’s trade or business which is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to “qualified tax-exempt obligations” provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a “bank” as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase “qualified tax-exempt obligations” shall be reduced by twenty-percent (20%) as a “financial institution preference item.”

The District expects to designate the Bonds as “qualified tax exempt obligations” within the meaning of section 265(b) of the Code. In furtherance of that designation, the District will covenant to take such action which would assure, or to refrain from such action which would adversely affect, the treatment of the Bonds as “qualified tax exempt obligations.” Potential

purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded, however, the Internal Revenue Service could take a contrary view. Were the Internal Revenue Service to conclude that the amount of such premium is not disregarded, then such obligations might fail to satisfy the \$10,000,000 limitation and the obligations would not be “qualified tax exempt obligations.”

SOURCES OF INFORMATION

General

The information contained in this Official Statement has been obtained primarily from the District’s records, the Fort Bend Central Appraisal District and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below under the caption “Certification of Official Statement.” The summaries of the statutes, resolutions and engineering and other related reports set forth herein are included subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

The financial statements of the District as of December 31, 2025, and for the year then ended, included in this offering document, have been audited by McCall Gibson Swedlund Barfoot Ellis PLLC, Certified Public Accountants, as stated in their report appearing herein. See “APPENDIX B.”

Experts

The information contained in this Official Statement relating to engineering, to the description of the System generally and, in particular, the engineering information included in the section captioned “THE SYSTEM” has been provided by A&S Engineers, Inc., Houston, Texas. Such information has been included herein in reliance upon the authority of said firm as an expert in the field of civil engineering.

The information contained in this Official Statement relating to the assessed valuations of property generally and, in particular, that information concerning principal taxpayers, tax collection rates and valuations contained in the sections captioned “TAX DATA” and “DISTRICT DEBT” has been provided by the Fort Bend Central Appraisal District and Assessments of the Southwest, Inc. The District has included certain information herein in reliance upon Assessments of the Southwest, Inc.’s authority as an expert in the field of tax assessing and real property appraisal.

Updating of Official Statement

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

Certification as to Official Statement

At the time of payment for and delivery of the Bonds, the District will furnish the Underwriter a certificate, executed by the President and Secretary of the Board, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the information, descriptions and statements of or pertaining to the District contained in this Official Statement, on the date thereof and on the date of delivery were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, this 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 herein or necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading; and (c) insofar

as the descriptions and statements, including financial data contained in this Official Statement, of or pertaining to entities other than the District and their activities are concerned, such statements and data have been obtained from sources which the District believes to be reliable and that the District has no reason to believe that they are untrue in any material respect or omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading; however, the District has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District.

Official Statement “Deemed Final”

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission (the “SEC”), this document, as the same may be supplemented or corrected by the District from time to time, may be treated as an Official Statement with respect to the Bonds described herein “deemed final” by the District as of the date hereof (or of any such supplement or correction) except for the omission of certain information referred to in the succeeding paragraph.

The Official Statement, when further supplemented by adding information specifying the interest rates and certain other information relating to the Bonds, shall constitute a “final official statement” of the District with respect to the Bonds, as that term is defined in Rule 15c2-12.

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) of the United States Securities and Exchange Commission (the “SEC”) regarding the District's continuing disclosure obligations because the District does not have more than \$10,000,000 in aggregate amount of outstanding bonds and no person is committed by contract or other arrangement with respect to payment of the Bonds. As required by the exemption, in the Bond Order, the District has made the following agreement for the benefit of the registered holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the “MSRB”) or any successor to its functions as a repository through its Electronic Municipal Market Access (“EMMA”) system.

Annual Reports

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

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution,

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

Availability of Information

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

Limitations and Amendments

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

The District may amend its continuing disclosure agreement only if (1) the amendment is made in connection with a change in circumstances that arise from a change in legal requirements, change in law, or change in the identity, nature, or status of the District; (2) the agreement, as amended, would have complied with SEC Rule 15c2-12 at the date of sale of the Bonds, taking into account any amendments or interpretations of the SEC Rule 15c2-12 as well as any change in circumstances; and (3) the District receives an opinion of nationally recognized bond counsel to the effect that the amendment does not materially impair the interests of the holders and beneficial owners of the Bonds. If any such amendment is made, the District will include in its next annual update an explanation in narrative form of the reasons for the change and its impact on the type of operating data or financial information being provided.

Compliance With Prior Undertakings

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

This Official Statement was approved by the Board of Directors of Palmer Plantation Municipal Utility District No. 2 as of the date shown on the first page hereof.

President, Board of Directors
Palmer Plantation Municipal Utility District No. 2

ATTEST:

Secretary, Board of Directors
Palmer Plantation Municipal Utility District No. 2

APPENDIX B

PALMER PLANTATION MUNICIPAL UTILITY DISTRICT NO. 2

FORT BEND COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2025

PALMER PLANTATION MUNICIPAL UTILITY DISTRICT NO. 2
FORT BEND COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2025

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-8
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	9-12
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	13
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	14-15
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	16
NOTES TO THE FINANCIAL STATEMENTS	17-31
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND AND SPECIAL REVENUE FUND	33-34
SUPPLEMENTARY INFORMATION REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statements)	
SERVICES AND RATES	36-38
GENERAL FUND EXPENDITURES	39-40
INVESTMENTS	41
TAXES LEVIED AND RECEIVABLE	42-43
LONG-TERM DEBT SERVICE REQUIREMENTS	44
CHANGE IN LONG-TERM BOND DEBT	45-46
COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS	47-50
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	51-52

McCall Gibson Swedlund Barfoot Ellis PLLC

Certified Public Accountants

*Chris Swedlund
Noel W. Barfoot
Joseph Ellis
Ashlee Martin*

*Mike M. McCall
(retired)
Debbie Gibson
(retired)*

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Palmer Plantation Municipal
Utility District No. 2
Fort Bend County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Palmer Plantation Municipal Utility District No. 2 (the "District") as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked “Unaudited” on which we express no opinion or provide an assurance, 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot Ellis PLLC

McCall Gibson Swedlund Barfoot Ellis PLLC
Certified Public Accountants
Houston, Texas

April 15, 2026

**PALMER PLANTATION MUNICIPAL UTILITY DISTRICT NO. 2
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2025**

Management’s discussion and analysis of Palmer Plantation Municipal Utility District No. 2’s (the “District”) financial performance provides an overview of the District’s financial activities for the year ended December 31, 2025. Please read it in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District’s financial report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District’s overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all of the District’s assets, deferred outflows of resources and liabilities, with the difference 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 District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District’s net position changed during the current year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include 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 District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, costs and general expenditures. The Special Revenue Fund accounts for the joint water plant owned and operated by the District for the benefit of the District, Palmer Plantation Municipal Utility District No. 1 and Fort Bend County Municipal Utility District No. 49. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

**PALMER PLANTATION MUNICIPAL UTILITY DISTRICT NO. 2
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2025**

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District’s governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information (“RSI”) and other supplementary information. Budgetary comparison schedules are included as RSI for the General Fund and the Special Revenue Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District’s financial position. In the case of the District, assets exceeded liabilities and deferred inflows of resource by \$5,146,288 as of December 31, 2025.

A portion of the District’s net position reflects its net investment in capital assets (water, wastewater and drainage facilities less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide water and wastewater services.

The following is a comparative analysis of government-wide changes in net position:

**PALMER PLANTATION MUNICIPAL UTILITY DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2025**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2025	2024	Change Positive (Negative)
Current and Other Assets	\$ 2,387,231	\$ 2,994,020	\$ (606,789)
Capital Assets (Net of Accumulated Depreciation)	<u>4,895,270</u>	<u>4,424,027</u>	<u>471,243</u>
Total Assets	<u>\$ 7,282,501</u>	<u>\$ 7,418,047</u>	<u>\$ (135,546)</u>
Bonds Payable	\$ 626,329	\$ 1,228,239	\$ 601,910
Other Liabilities	<u>438,820</u>	<u>539,668</u>	<u>100,848</u>
Total Liabilities	<u>\$ 1,065,149</u>	<u>\$ 1,767,907</u>	<u>\$ 702,758</u>
Deferred Inflows of Resources	<u>\$ 1,071,064</u>	<u>\$ 1,107,524</u>	<u>\$ 36,460</u>
Net Position:			
Net Investment in Capital Assets	\$ 4,259,792	\$ 3,178,208	\$ 1,081,584
Restricted	468,052	536,523	(68,471)
Unrestricted	<u>418,444</u>	<u>827,885</u>	<u>(409,441)</u>
Total Net Position	<u>\$ 5,146,288</u>	<u>\$ 4,542,616</u>	<u>\$ 603,672</u>

The following table provides comparative analysis of the District's operations for the years ending December 31, 2025, and December 31, 2024. The District's net position increased by \$603,672 during the current year.

	Summary of Changes in the Statement of Activities		
	2025	2024	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 1,085,981	\$ 1,100,655	\$ (14,674)
Charges for Services	921,218	931,325	(10,107)
Other Revenues	<u>343,146</u>	<u>295,160</u>	<u>47,986</u>
Total Revenues	<u>\$ 2,350,345</u>	<u>\$ 2,327,140</u>	<u>\$ 23,205</u>
Expenses for Services	<u>1,746,673</u>	<u>1,681,242</u>	<u>(65,431)</u>
Change in Net Position	\$ 603,672	\$ 645,898	\$ (42,226)
Net Position, Beginning of Year	<u>4,542,616</u>	<u>3,896,718</u>	<u>645,898</u>
Net Position, End of Year	<u>\$ 5,146,288</u>	<u>\$ 4,542,616</u>	<u>\$ 603,672</u>

**PALMER PLANTATION MUNICIPAL UTILITY DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2025**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of December 31, 2025, were \$864,496, a decrease of \$459,217 from the prior fiscal year.

The General Fund fund balance decreased by \$402,345, primarily due to operating and capital costs exceeding current year service revenues and maintenance tax revenues.

The Debt Service Fund fund balance decreased by \$56,872, primarily due to the structure of the District's debt service requirements.

The Special Revenue Fund of the District is revenue neutral. Costs incurred are billed to the respective participants on a monthly basis.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current fiscal year. Actual revenues were \$25,108 more than budgeted revenues. Actual expenditures were \$275,949 less than budgeted expenditures. This resulted in a positive budget variance of \$301,057.

CAPITAL ASSETS

Capital assets as of December 31, 2025, total \$4,895,270 (net accumulated depreciation) and include land, as well as the water, wastewater and drainage systems. Capital asset activity during the current year included STP Digester and Bar Screen.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2025	2024	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 713,611	\$ 713,611	\$
Construction in Progress	1,205,516	533,901	671,615
Capital Assets, Net of Accumulated Depreciation:			
Water System	755,172	820,215	(65,043)
Wastewater System	935,753	1,005,381	(69,628)
Drainage System	1,285,218	1,350,919	(65,701)
Total Net Capital Assets	\$ 4,895,270	\$ 4,424,027	\$ 471,243

Additional information on the District's capital assets can be found in Note 6 of this report.

**PALMER PLANTATION MUNICIPAL UTILITY DISTRICT NO. 2
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2025**

LONG-TERM DEBT ACTIVITY

At the end of the current year, the District had total bond debt payable of \$570,000. The changes in the debt position of the District during the fiscal year ended December 31, 2025, are summarized as follows:

Bond Debt Payable, January 1, 2025	\$ 1,120,000
Less: Bond Principal Paid	<u>550,000</u>
Bond Debt Payable, December 31, 2025	<u>\$ 570,000</u>

The District’s Series 2020 refunding bonds have an underlying rating of “A”. The Series 2020 refunding bonds carry an insured rating of “AA” by virtue of bond insurance issued by Assured Guaranty. The above ratings reflect all changes through December 31, 2025.

CONTACTING THE DISTRICT’S MANAGEMENT

This financial report is designed to provide a general overview of the District’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Palmer Plantation Municipal Utility District No. 2, c/o Wallace & Philbin, LLP, 6363 Woodway, Suite 800, Houston, TX 77057.

PALMER PLANTATION MUNICIPAL UTILITY DISTRICT NO. 2
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2025

	General Fund	Special Revenue Fund Water Plant
ASSETS		
Cash	\$ 94,722	\$ 11,052
Investments	601,533	
Receivables:		
Property Taxes	472,940	
Penalty and Interest on Delinquent Taxes		
Service Accounts	45,271	
Accrued Interest	3,947	
Due from Other Funds	117,328	12,216
Due from Participants		54,620
Operating Deposits	67,502	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 1,403,243	\$ 77,888

The accompanying notes to the financial
statements are an integral part of this report.

Debt Service Fund	Total	Adjustments	Statement of Net Position
\$ 236,832	\$ 342,606	\$	\$ 342,606
421,254	1,022,787		1,022,787
369,281	842,221		842,221
		8,277	8,277
	45,271		45,271
	3,947		3,947
	129,544	(129,544)	
	54,620		54,620
	67,502		67,502
		713,611	713,611
		1,205,516	1,205,516
		<u>2,976,143</u>	<u>2,976,143</u>
<u>\$ 1,027,367</u>	<u>\$ 2,508,498</u>	<u>\$ 4,774,003</u>	<u>\$ 7,282,501</u>

The accompanying notes to the financial statements are an integral part of this report.

PALMER PLANTATION MUNICIPAL UTILITY DISTRICT NO. 2
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2025

	General Fund	Special Revenue Fund Water Plant
LIABILITIES		
Accounts Payable	\$ 265,545	\$ 24,209
Accrued Interest Payable		
Due to Other Funds	12,216	
Due to Taxpayers		
Customer Deposits	106,825	
Operating Deposits		31,044
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 384,586	\$ 55,253
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 609,167	\$
Deferred Amount on Refunding Bonds		
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 609,167	\$ -0-
FUND BALANCES		
Restricted for Debt Service	\$	\$
Restricted for Water Plant Operation		22,635
Nonspendable Operating Deposits	67,502	
Assigned for 2026 Budget Deficit	341,988	
TOTAL FUND BALANCES	\$ 409,490	\$ 22,635
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,403,243	\$ 77,888
NET POSITION		
Net Investment in Capital Assets		
Restricted for Plant Operations		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

The accompanying notes to the financial
statements are an integral part of this report.

Debt Service Fund	Total	Adjustments	Statement of Net Position
\$	\$ 289,754	\$	\$ 289,754
		7,600	7,600
117,328	129,544	(129,544)	
3,597	3,597		3,597
	106,825		106,825
	31,044		31,044
		570,000	570,000
		56,329	56,329
<u>\$ 120,925</u>	<u>\$ 560,764</u>	<u>\$ 504,385</u>	<u>\$ 1,065,149</u>
\$ 474,071	\$ 1,083,238	\$ (21,323)	\$ 1,061,915
		9,149	9,149
<u>\$ 474,071</u>	<u>\$ 1,083,238</u>	<u>\$ (12,174)</u>	<u>\$ 1,071,064</u>
\$ 432,371	\$ 432,371	\$ (432,371)	\$
	22,635	(22,635)	
	67,502	(67,502)	
	341,988	(341,988)	
<u>\$ 432,371</u>	<u>\$ 864,496</u>	<u>\$ (864,496)</u>	<u>\$ - 0 -</u>
<u>\$ 1,027,367</u>	<u>\$ 2,508,498</u>		
		\$ 4,259,792	\$ 4,259,792
		22,635	22,635
		445,417	445,417
		418,444	418,444
		<u>\$ 5,146,288</u>	<u>\$ 5,146,288</u>

The accompanying notes to the financial statements are an integral part of this report.

PALMER PLANTATION MUNICIPAL UTILITY DISTRICT NO. 2
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2025

Total Fund Balances - Governmental Funds	\$	864,496
--	----	---------

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 as assets in the governmental funds.		4,895,270
--	--	-----------

Interest paid in advance as part of a refunding bond sale is recorded as a deferred inflow in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.		(9,149)
---	--	---------

Deferred inflows of resources related property tax revenues and penalty and interest receivable on delinquent taxes for the 2024 and prior tax levies became part of recognized revenue in the governmental activities of the District.		29,600
---	--	--------

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Accrued Interest Payable	\$ (7,600)	
Bonds Payable	<u>(626,329)</u>	<u>(633,929)</u>
Total Net Position - Governmental Activities	\$	<u>5,146,288</u>

The accompanying notes to the financial statements are an integral part of this report.

PALMER PLANTATION MUNICIPAL UTILITY DISTRICT NO. 2
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2025

	General Fund	Special Revenue Fund Water Plant
REVENUES		
Property Taxes	\$ 588,887	\$
Water Service	248,985	349,900
Wastewater Service	213,647	
Garbage Service	190,404	
Penalty and Interest	8,642	
Tap Connection and Inspection Fees	21,264	
Surface Water Conversion	182,859	
Investment Revenues	41,292	
Miscellaneous Revenues	22,253	
TOTAL REVENUES	\$ 1,518,233	\$ 349,900
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 124,766	\$ 2,500
Contracted Services	295,351	24,431
Purchased Water Service	278,767	
Purchased Wastewater Service	201,065	
Surface Water Conversion		236,671
Utilities	3,364	32,673
Repairs and Maintenance	244,835	32,290
Depreciation		
Other	100,815	21,335
Capital Outlay	671,615	
Debt Service:		
Bond Principal		
Bond Interest		
TOTAL EXPENDITURES/EXPENSES	\$ 1,920,578	\$ 349,900
NET CHANGE IN FUND BALANCES	\$ (402,345)	\$ -0-
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JANUARY 1, 2025	811,835	22,635
FUND BALANCES/NET POSITION - DECEMBER 31, 2025	\$ 409,490	\$ 22,635

The accompanying notes to the financial statements are an integral part of this report.

Debt Service Fund	Total	Adjustments	Statement of Activities
\$ 517,688	\$ 1,106,575	\$ (20,594)	\$ 1,085,981
	598,885	(131,100)	467,785
	213,647		213,647
	190,404		190,404
24,911	33,553	(5,435)	28,118
	21,264		21,264
	182,859		182,859
28,446	69,738		69,738
7,954	30,207	60,342	90,549
<u>\$ 578,999</u>	<u>\$ 2,447,132</u>	<u>\$ (96,787)</u>	<u>\$ 2,350,345</u>
\$ 8,427	\$ 135,693	\$	\$ 135,693
29,414	349,196		349,196
	278,767	(131,100)	147,667
	201,065		201,065
	236,671		236,671
	36,037		36,037
	277,125		277,125
		200,372	200,372
3,230	125,380		125,380
	671,615	(671,615)	
550,000	550,000	(550,000)	
44,800	44,800	(7,333)	37,467
<u>\$ 635,871</u>	<u>\$ 2,906,349</u>	<u>\$ (1,159,676)</u>	<u>\$ 1,746,673</u>
\$ (56,872)	\$ (459,217)	\$ 459,217	\$
		603,672	603,672
489,243	1,323,713	3,218,903	4,542,616
<u>\$ 432,371</u>	<u>\$ 864,496</u>	<u>\$ 4,281,792</u>	<u>\$ 5,146,288</u>

The accompanying notes to the financial statements are an integral part of this report.

**PALMER PLANTATION MUNICIPAL UTILITY DISTRICT NO. 2
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2025**

Net Change in Fund Balances - Governmental Funds	\$	(459,217)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.		(20,594)
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.		(5,435)
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.		(200,372)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.		671,615
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.		550,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.		<u>67,675</u>
Change in Net Position - Governmental Activities	\$	<u><u>603,672</u></u>

The accompanying notes to the financial statements are an integral part of this report.

PALMER PLANTATION MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 1. CREATION OF DISTRICT

Palmer Plantation Municipal Utility District No. 2 (the District) was created by an order of the Texas Water Commission, now known as the Texas Commission on Environmental Quality (the Commission), effective December 21, 1982, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities and to provide such facilities and services to the customers of the District.

The District is governed by a Board of Directors (the Board) consisting of five individuals who are residents or owners of property within the District and are elected by voters within the District. The Board sets the policies of the District. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America for state and local governments, as defined by the Governmental Accounting Standards Board. The Board of Directors held its first meeting on December 21, 1982.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

The District is a participant in joint water supply and waste treatment facilities, which were formed to maintain and operate water supply and waste treatment facilities on behalf of all participants, as further described in Note 8. The facilities are governed by the Board of Palmer Plantation Municipal Utility District No. 1 (District No. 1). The Board of District No. 1 has the responsibility of approving budgets, setting rates and determining the day-to-day operations. The District retains an ongoing financial interest and responsibility. The District’s net investment in and operating transactions with the facilities are reported in the general fund.

PALMER PLANTATION MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District is a participant in joint water supply facilities, which were formed to maintain and operate water supply facilities on behalf of all participants, as further described in Note 8. The facility is governed by the Board of the District. All transactions related to the facilities are accounted for in the special revenue fund. The Board has the responsibility of approving budgets, setting rates and determining the day-to-day operations. The District retains an ongoing financial interest and responsibility.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- * Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- * Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- * Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

PALMER PLANTATION MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated to obtain net total revenues and expenses of the government-wide Statement of Activities.

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The District has three governmental funds and considers each to be major.

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues, costs and general expenditures.

Special Revenue Fund – To account for revenues and expenditures involving specific revenue sources that are legally restricted to expenditures for specified purposes. The primary source of revenue is participant fees.

Debt Service Fund - To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

PALMER PLANTATION MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means collectable within the current year or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include 2024 tax levy collections during the period October 1, 2024, to December 31, 2025, and taxes collected from January 1, 2025, to December 31, 2025, for the 2023 and prior tax levies. The 2025 tax levy has been fully deferred.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. See Note 10 for interfund receivables/payables as of December 31, 2025.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset.

PALMER PLANTATION MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Buildings	40
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
All Other Equipment	3-20

Budgeting

An annual unappropriated budget is adopted for the General Fund and Special Revenue Fund by the District’s Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget and Special Revenue Fund budget for the current year were not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund and Special Revenue Fund present the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Pensions

A pension plan has not been established. The District does not have employees, except that the Internal Revenue Service has determined that directors are considered to be “employees” for federal payroll tax purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds using the following hierarchy:

PALMER PLANTATION MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the period. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. As of December 31, 2025, the District assigned \$341,988 of the General Fund fund balance to cover a portion of the 2026 budget deficit.

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

PALMER PLANTATION MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 3. LONG-TERM DEBT

	<u>Refunding Series 2020</u>
Amount Outstanding – December 31, 2025	\$570,000
Interest Rates	4.00%
Maturity Date	September 1, 2026
Interest Payment Dates	March 1/ September 1
Callable Dates	N/A

* Or any date thereafter at a price of par plus unpaid accrued interest in whole or in part, at the option of the District.

The following is a summary of transactions regarding bonds payable for the year ended December 31, 2025:

	<u>January 1, 2025</u>	<u>Additions</u>	<u>Retirements</u>	<u>December 31, 2025</u>
Bonds Payable	\$ 1,120,000	\$	\$ 550,000	\$ 570,000
Unamortized Premiums	<u>108,239</u>	<u></u>	<u>51,910</u>	<u>56,329</u>
Bonds Payable, Net	<u>\$ 1,228,239</u>	<u>\$ -0-</u>	<u>\$ 601,910</u>	<u>\$ 626,329</u>
			Amount Due Within One Year	\$ 570,000
			Amount Due After One Year	<u>56,329</u>
			Bonds Payable, Net	<u>\$ 626,329</u>

As of December 31, 2025, the District has authorized but unissued tax bonds of \$7,760,000 and authorized but unissued refunding bonds of \$10,895,000.

PALMER PLANTATION MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 3. LONG-TERM DEBT (Continued)

As of December 31, 2025, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2026	\$ 570,000	\$ 22,800	\$ 592,800

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount. During the year ended December 31, 2025, the District levied an ad valorem debt service tax rate of \$0.15 per \$100 of assessed valuation, which resulted in a tax levy of \$461,702 on the adjusted taxable valuation of \$307,801,660 for the 2025 tax year. The bond order requires the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

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

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The bond order states that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District to the state information depository. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

The bond order states that the District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of Section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five year anniversary of each issue.

PALMER PLANTATION MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District’s deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At year end, the carrying amount of the District’s deposits was \$442,606 and the bank balance was \$447,353. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at December 31, 2025, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 94,722	\$ 100,000	\$ 194,722
SPECIAL REVENUE FUND	11,052		11,052
DEBT SERVICE FUND	236,832		236,832
TOTAL DEPOSITS	\$ 342,606	\$ 100,000	\$ 442,606

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District’s financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District’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.” No person may invest District funds without express written authority from the Board of Directors.

PALMER PLANTATION MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District’s investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in Texas Cooperative Liquid Assets Securities System Trust (“Texas CLASS”), an external public funds investment pool that is not SEC-registered. Public Trust Advisors, LLC serves as the pool’s administrator and investment advisor. The pool is subject to the general supervision of the Board of Trustees and its Advisory Board. UMB Bank, N.A. serves as custodian for the pool. Investments held by Texas CLASS are priced to market on a weekly basis. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District’s position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from Texas CLASS.

The District records its investments in certificates of deposit at acquisition cost.

As of December 31, 2025, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
Texas CLASS	\$ 501,533	\$ 501,533
Certificates of Deposit	100,000	100,000
<u>DEBT SERVICE FUND</u>		
Texas CLASS	421,254	421,254
TOTAL INVESTMENTS	\$ 1,022,787	\$ 1,022,787

PALMER PLANTATION MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2025, the District's investments in Texas CLASS was rated "AAAm" by Standard & Poor's. The District also manages credit risk by typically investing in certificates of deposit with balances below FDIC coverage.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in Texas CLASS to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value. The District also manages interest rate risk by investing in certificates of deposit with maturities of less than one year.

Restrictions

All cash and investments of the Special Revenue Fund are restricted for the water plant operations. All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes.

PALMER PLANTATION MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2025:

	January 1, 2025	Increases	Decreases	December 31, 2025
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 713,611	\$	\$	\$ 713,611
Construction in Progress	<u>533,901</u>	<u>671,615</u>	<u></u>	<u>1,205,516</u>
Total Capital Assets Not Being Depreciated	<u>\$ 1,247,512</u>	<u>\$ 671,615</u>	<u>\$ - 0 -</u>	<u>\$ 1,919,127</u>
Capital Assets Subject to Depreciation				
Water System	\$ 3,284,066	\$	\$	\$ 3,284,066
Wastewater System	3,153,576			3,153,576
Drainage System	<u>2,956,565</u>	<u></u>	<u></u>	<u>2,956,565</u>
Total Capital Assets Subject to Depreciation	<u>\$ 9,394,207</u>	<u>\$ - 0 -</u>	<u>\$ -0-</u>	<u>\$ 9,394,207</u>
Accumulated Depreciation				
Water System	\$ 2,463,851	\$ 65,043	\$	\$ 2,528,894
Wastewater System	2,148,195	69,628		2,217,823
Drainage System	<u>1,605,646</u>	<u>65,701</u>	<u></u>	<u>1,671,347</u>
Total Accumulated Depreciation	<u>\$ 6,217,692</u>	<u>\$ 200,372</u>	<u>\$ -0-</u>	<u>\$ 6,418,064</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 3,176,515</u>	<u>\$ (200,372)</u>	<u>\$ -0-</u>	<u>\$ 2,976,143</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 4,424,027</u>	<u>\$ 471,243</u>	<u>\$ - 0 -</u>	<u>\$ 4,895,270</u>

NOTE 7. MAINTENANCE TAX

On August 14, 1993, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$0.20 per \$100 of assessed valuation of taxable property within the District. During the year ending December 31, 2025, the District levied an ad valorem maintenance tax rate of \$0.195 per \$100 of assessed valuation, which resulted in a tax levy of \$600,213 on the adjusted taxable valuation of \$307,801,660 for the 2025 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and sanitary sewer system.

PALMER PLANTATION MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 8. CONTRACTS WITH OTHER DISTRICTS

Regional Wastewater Treatment Facility

On December 10, 1984, the District, Fort Bend County Municipal Utility District No. 49 (District No. 49) and District No. 1 entered into a 40-year agreement to share construction and operational costs of a regional wastewater treatment facility. District No. 1 is the operator of the facilities and until the prior year, held title for the benefit of the districts. Construction costs are shared based on a pro rata share of costs relative to capacity acquired in the facilities. The District did not participate in the initial phase of construction. The District purchased capacity in the 600,000 gallons-per-day from District No. 1 and District No. 49. The District is entitled to 41.7% of the plant capacity.

The agreement was amended on May 15, 2019, at which time the District No. 1 granted, sold and conveyed ownership of the wastewater treatment facility to the District. District No. 1 will continue to operate the wastewater treatment facility until District No. 1 is dissolved by the City of Missouri City.

Joint Water Facilities

On August 12, 1984, the District entered into an agreement with District No. 1 to purchase capacity in water production facilities. The water production facilities are referred to as water plant No. 1 and are operated by District No. 1. Future construction costs will be shared based on a pro rata share of costs relative to capacity acquired in the facility.

On July 1, 2000, the districts entered into a restated joint water facilities agreement, which includes water plant No. 2, which was constructed by and is owned 100% by the District. The District is the operator of water plant No. 2.

On April 1, 2019, the joint water facilities agreement was amended at which time District No. 1 sold a portion of its excess capacity in water plant No. 1 to District No. 49. The District is currently entitled to 29.1 percent of the water plant No. 1's total capacity.

Operational Cost Sharing

In accordance with both agreements, the districts share fixed operating costs of the wastewater treatment plant and water plant No. 1 based on their pro rata share of capacity acquired. Variable costs and all costs of water plant No. 2 are shared based on actual capacity used. During the year ended December 31, 2025, the District incurred charges of \$201,065 for sewer service, \$147,667 for water plant No. 1 and \$131,100 for water plant No. 2.

PALMER PLANTATION MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 8. CONTRACTS WITH OTHER DISTRICTS (Continued)

The following represents condensed audited financial information of District No. 1's joint facilities as of and for the year ended December 31, 2025:

	<u>Joint Water Plant</u>	<u>Joint Sewer Plant</u>
Total Assets	\$ 108,963	\$ 144,320
Total Liabilities	<u>76,834</u>	<u>114,643</u>
Total Fund Balance	<u>\$ 32,129</u>	<u>\$ 29,677</u>
Total Revenues	\$ 413,897	\$ 470,414
Total Expenditures	<u>413,897</u>	<u>470,414</u>
Net Change in Fund Balance	\$ -0-	\$ -0-
Fund Balance – January 1, 2025	<u>32,129</u>	<u>29,677</u>
Fund Balance – December 31, 2025	<u>\$ 32,129</u>	<u>\$ 29,677</u>

The District has deposited \$67,502 with the joint facilities as its share of an operating reserve.

The following represents current year transactions for water plant No. 2:

	<u>The District</u>	<u>District No. 49</u>	<u>District No. 1</u>	<u>Totals</u>
Receivable, beginning of year	\$ 5,423	\$ 16,819	\$ 6,698	\$ 28,940
Billings of the districts	131,100	69,319	149,481	349,900
Collections	<u>(124,307)</u>	<u>(46,510)</u>	<u>(141,187)</u>	<u>(312,004)</u>
Receivable, end of year	<u>\$ 12,216</u>	<u>\$ 39,628</u>	<u>\$ 14,992</u>	<u>\$ 66,836</u>
Operating reserve	<u>\$ 22,635</u>	<u>\$ 9,038</u>	<u>\$ 22,006</u>	<u>\$ 53,679</u>

PALMER PLANTATION MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 9. GROUNDWATER REDUCTION PLAN AGREEMENT

The District is within the boundaries of the Fort Bend Subsidence District (the Subsidence District), which regulates groundwater withdrawal. The District's authority to pump groundwater from its well is subject to an annual permit issued by the Subsidence District. In 1999, the Subsidence District adopted a district regulatory plan to reduce groundwater withdrawal through the conversion to surface water. The District has entered into a Groundwater Reduction Plan Agreement (GRPA) with the City of Missouri City (the City) in order to meet the Subsidence District's requirements. As a participant in the GRPA, the District has complied with all Subsidence District requirements for surface water conversion, but is obligated to pay to the City a groundwater withdrawal fee for all groundwater produced and used by the District and a water purchase fee for any water actually purchased from the City in the future. As of December 31, 2025, the District has incurred fees totaling \$236,671 for groundwater withdrawal, which was billed to each participant for their share.

NOTE 10. INTERFUND RECEIVABLES AND LIABILITIES

As of December 31, 2025, the District had the following interfund liabilities: the Debt Service Fund owed the General Fund \$117,328 for maintenance tax collections and the General Fund owed the Special Revenue Fund \$12,216 for the water plant operating costs.

NOTE 11. RISK MANAGEMENT

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

PALMER PLANTATION MUNICIPAL UTILITY DISTRICT NO. 2

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2025

PALMER PLANTATION MUNICIPAL UTILITY DISTRICT NO. 2
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 573,800	\$ 588,887	\$ 15,087
Water Service	265,000	248,985	(16,015)
Wastewater Service	210,400	213,647	3,247
Garbage Service	186,000	190,404	4,404
Penalty and Interest	10,000	8,642	(1,358)
Tap Connection and Inspection Fees	3,000	21,264	18,264
Surface Water Conversion	175,000	182,859	7,859
Investment Revenues	60,000	41,292	(18,708)
Miscellaneous Revenues	9,925	22,253	12,328
TOTAL REVENUES	\$ 1,493,125	\$ 1,518,233	\$ 25,108
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 105,250	\$ 124,766	\$ (19,516)
Contracted Services	296,600	295,351	1,249
Purchased Water Service	307,059	278,767	28,292
Purchased Wastewater Service	192,146	201,065	(8,919)
Utilities	3,750	3,364	386
Repairs and Maintenance	185,500	244,835	(59,335)
Other	96,712	100,815	(4,103)
Capital Outlay	1,009,510	671,615	337,895
TOTAL EXPENDITURES	\$ 2,196,527	\$ 1,920,578	\$ 275,949
NET CHANGE IN FUND BALANCE	\$ (703,402)	\$ (402,345)	\$ 301,057
FUND BALANCE - JANUARY 1, 2025	811,835	811,835	
FUND BALANCE - DECEMBER 31, 2025	\$ 108,433	\$ 409,490	\$ 301,057

See accompanying independent
auditor's report on supplemental information.

PALMER PLANTATION MUNICIPAL UTILITY DISTRICT NO. 2
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
SPECIAL REVENUE FUND - WATER PLANT
FOR THE YEAR ENDED DECEMBER 31, 2025

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Water Service	\$ 385,100	\$ 349,900	\$ (35,200)
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 3,000	\$ 2,500	\$ 500
Contracted Services	23,700	24,431	(731)
Surface Water Conversion	250,000	236,671	13,329
Utilities	34,200	32,673	1,527
Repairs and Maintenance	49,500	32,290	17,210
Other	24,700	21,335	3,365
TOTAL EXPENDITURES	\$ 385,100	\$ 349,900	\$ 35,200
NET CHANGE IN FUND BALANCE	\$ -0-	\$ -0-	\$ -0-
FUND BALANCE - JANUARY 1, 2025	22,635	22,635	
FUND BALANCE - DECEMBER 31, 2025	\$ 22,635	\$ 22,635	\$ -0-

See accompanying independent
auditor's report on supplemental information.

PALMER PLANTATION MUNICIPAL UTILITY DISTRICT NO. 2

SUPPLEMENTARY INFORMATION REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

DECEMBER 31, 2025

**PALMER PLANTATION MUNICIPAL UTILITY DISTRICT NO. 2
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2025**

1. SERVICES PROVIDED BY THE DISTRICT DURING THE YEAR:

<u> X </u>	Retail Water	_____	Wholesale Water	<u> X </u>	Drainage
<u> X </u>	Retail Wastewater	_____	Wholesale Wastewater	_____	Irrigation
_____	Parks/Recreation	_____	Fire Protection	_____	Security
<u> X </u>	Solid Waste/Garbage	_____	Flood Control	_____	Roads
_____	Participates in joint venture, regional system and/or wastewater service (other than				
<u> X </u>	emergency interconnect)				
_____	Other (specify): _____				

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):

Based on the Rate Order approved October 19, 2022.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	\$ 16.00	6,000	N	\$ 2.50	6,001 and up
WASTEWATER:	\$ 17.00	5,000	N	\$ 2.50	5,001 and up
SURCHARGE:					
Solid Waste/ Garbage			Y	\$ 19.09	
Commission		0.5% of			
Regulatory		water and			
Assessments		sewer bill			
Groundwater Reduction			N	\$ 2.39	0001 and up
Assessment Charge					
Other					

District employs winter averaging for wastewater usage? X
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$26.00 Wastewater: \$29.50 Surcharge: \$43.27 Total: \$98.77

See accompanying independent auditor's report.

PALMER PLANTATION MUNICIPAL UTILITY DISTRICT NO. 2
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2025

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤ ³ / ₄ "	<u>475</u>	<u>470</u>	x 1.0	<u>470</u>
1"	<u>376</u>	<u>374</u>	x 2.5	<u>935</u>
1½"	<u>1</u>	<u>2</u>	x 5.0	<u>10</u>
2"	<u>4</u>	<u>5</u>	x 8.0	<u>40</u>
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u><u>856</u></u>	<u><u>851</u></u>		<u><u>1,455</u></u>
Total Wastewater Connections	<u><u>845</u></u>	<u><u>838</u></u>	x 1.0	<u><u>838</u></u>

3. TOTAL WATER CONSUMPTION DURING THE YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited)

Gallons pumped into system:	248,335,000	Water Accountability Ratio: 89.9 % (Gallons billed /Gallons pumped)
Gallons billed to customers:	223,203,000	

See accompanying independent auditor's report.

PALMER PLANTATION MUNICIPAL UTILITY DISTRICT NO. 2
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2025

4. STANDBY FEES (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County in which District is located:

Fort Bend County, Texas

Is the District located within a city?

Entirely Partly Not at all

City in which District is located:

City of Missouri City, Texas.

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

PALMER PLANTATION MUNICIPAL UTILITY DISTRICT NO. 2
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2025

PROFESSIONAL FEES:	
Auditing	\$ 17,750
Engineering	37,494
Legal	<u>69,522</u>
TOTAL PROFESSIONAL FEES	<u>\$ 124,766</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 278,767
Purchased Wastewater Service	<u>201,065</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 479,832</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 32,699
Operations and Billing	72,310
Solid Waste Disposal	<u>190,342</u>
TOTAL CONTRACTED SERVICES	<u>\$ 295,351</u>
UTILITIES:	
Electricity	\$ 1,487
Telephone	<u>1,877</u>
TOTAL UTILITIES	<u>\$ 3,364</u>
REPAIRS AND MAINTENANCE	<u>\$ 244,835</u>
ADMINISTRATIVE EXPENDITURES:	
Arbitrage Expense	\$ 20,868
Director Fees	17,017
Dues	3,340
Insurance	21,208
Payroll Taxes	1,116
Travel and Meetings	5,985
Other	<u>12,149</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 81,683</u>

See accompanying independent auditor's report.

PALMER PLANTATION MUNICIPAL UTILITY DISTRICT NO. 2
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2025

CAPITAL OUTLAY:	
Capitalized Assets	\$ <u>671,615</u>
TAP CONNECTIONS	\$ <u>6,139</u>
OTHER EXPENDITURES:	
Permit Fees	\$ 5,537
Reconnection Fees	5,143
Regulatory Assessment	<u>2,313</u>
TOTAL OTHER EXPENDITURES	\$ <u>12,993</u>
TOTAL EXPENDITURES	\$ <u><u>1,920,578</u></u>

See accompanying independent auditor's report.

PALMER PLANTATION MUNICIPAL UTILITY DISTRICT NO. 2
INVESTMENTS
DECEMBER 31, 2025

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
Texas CLASS	XXXX0003	Varies	Daily	\$ 501,533	\$
Certificate of Deposit	XXXX0778	4.20%	01/22/26	<u>100,000</u>	<u>3,947</u>
TOTAL GENERAL FUND				<u>\$ 601,533</u>	<u>\$ 3,947</u>
<u>DEBT SERVICE FUND</u>					
Texas CLASS	XXXX0004	Varies	Daily	<u>\$ 421,254</u>	<u>\$ -0-</u>
TOTAL - ALL FUNDS				<u>\$ 1,022,787</u>	<u>\$ 3,947</u>

See accompanying independent auditor's report.

PALMER PLANTATION MUNICIPAL UTILITY DISTRICT NO. 2
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2025

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
JANUARY 1, 2025	\$	469,615	\$	419,265
Adjustments to Beginning				
Balance		<u>(1,895)</u>		<u>(1,755)</u>
	\$	467,720	\$	417,510
Original 2025 Tax Levy	\$	601,692	\$	462,840
Adjustment to 2025 Tax Levy		<u>(1,479)</u>		<u>(1,138)</u>
		<u>600,213</u>		<u>461,702</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 1,067,933		\$ 879,212
TAX COLLECTIONS:				
Prior Years	\$	458,766	\$	405,141
Current Year		<u>136,227</u>		<u>104,790</u>
		<u>594,993</u>		<u>509,931</u>
TAXES RECEIVABLE -				
DECEMBER 31, 2025		<u>\$ 472,940</u>		<u>\$ 369,281</u>
TAXES RECEIVABLE BY				
YEAR:				
2025	\$	463,986	\$	356,912
2024		5,182		4,495
2023		2,060		2,060
2022		801		1,910
2021		555		1,941
2020		237		1,284
2019 and after		<u>119</u>		<u>679</u>
TOTAL	\$	<u>472,940</u>	\$	<u>369,281</u>

See accompanying independent auditor's report.

PALMER PLANTATION MUNICIPAL UTILITY DISTRICT NO. 2
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2025

	2025	2024	2023	2022
PROPERTY VALUATIONS:				
Land	\$ 53,908,344	\$ 53,940,443	\$ 40,897,991	\$ 38,914,060
Improvements	269,872,594	276,918,259	284,481,346	251,473,205
Personal Property	3,638,426	3,321,277	3,179,016	2,751,550
Exemptions	(19,617,704)	(36,381,255)	(50,929,331)	(45,245,348)
TOTAL PROPERTY VALUATIONS	\$ 307,801,660	\$ 297,798,724	\$ 277,629,022	\$ 247,893,467
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.150	\$ 0.170	\$ 0.20	\$ 0.31
Maintenance	0.195	0.196	0.20	0.13
TOTAL TAX RATES PER \$100 VALUATION	\$ 0.345	\$ 0.366	\$ 0.40	\$ 0.44
ADJUSTED TAX LEVY*	\$ 1,061,915	\$ 1,089,944	\$ 1,110,516	\$ 1,090,731
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	22.70 %	99.11 %	99.63 %	99.75 %

* Based upon the adjusted tax levy at the time of the audit for the fiscal year in which the tax was levied.

Maintenance Tax – Maximum tax rate of \$0.20 per \$100 of assessed valuation approved by voters on August 14, 1993.

See accompanying independent auditor's report.

PALMER PLANTATION MUNICIPAL UTILITY DISTRICT NO. 2
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2025

SERIES - 2020 REFUNDING

Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2026	<u>\$ 570,000</u>	<u>\$ 22,800</u>	<u>\$ 592,800</u>

See accompanying independent auditor's report.

PALMER PLANTATION MUNICIPAL UTILITY DISTRICT NO. 2
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED DECEMBER 31, 2025

Description	Original Bonds Issued	Bonds Outstanding January 1, 2025
Palmer Plantation Municipal Utility District No. 2 Unlimited Tax and Revenue Refunding Bonds - Series 2020	<u>\$ 3,790,000</u>	<u>\$ 1,120,000</u>

Bond Authority:	Tax Bonds*	Refunding Bonds
Amount Authorized by Voters	\$ 19,000,000	\$ 19,000,000
Amount Issued	<u>11,240,000</u>	<u>8,105,000</u>
Remaining to be Issued	<u>\$ 7,760,000</u>	<u>\$ 10,895,000</u>

Debt Service Fund cash, investments and cash with paying agent balances as of
December 31, 2025: \$ 658,086

Average annual debt service payment (principal and interest) for remaining term
of all debt: \$ 592,800

See Note 3 for interest rate, interest payment dates and maturity dates.

* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

See accompanying independent auditor's report.

Current Year Transactions

<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding December 31, 2025</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
<u>\$ -0-</u>	<u>\$ 550,000</u>	<u>\$ 44,800</u>	<u>\$ 570,000</u>	The Bank of New York Mellon Trust Company Dallas, TX

See accompanying independent auditor's report.

PALMER PLANTATION MUNICIPAL UTILITY DISTRICT NO. 2
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2025	2024	2023
REVENUES			
Property Taxes	\$ 588,887	\$ 544,014	\$ 317,219
Water Service	248,985	243,831	286,864
Wastewater Service	213,647	208,323	204,690
Surface water conversion	182,859	169,542	185,124
Garbage service	190,404	186,429	177,429
Penalty and Interest	8,642	10,098	9,147
Tap Connection and Inspection Fees	21,264	8,762	236
Investment Revenues	41,292	72,203	47,958
Miscellaneous Revenues	22,253	9,048	7,728
TOTAL REVENUES	\$ 1,518,233	\$ 1,452,250	\$ 1,236,395
EXPENDITURES			
Professional Fees	\$ 124,766	\$ 108,322	\$ 106,307
Contracted Services	295,351	288,329	289,401
Purchased Services	479,832	424,916	463,947
Utilities	3,364	3,242	3,798
Repairs and Maintenance	244,835	271,929	220,921
Tap connections			
Other	100,815	96,887	77,484
Capital Outlay	671,615	500,950	49,368
TOTAL EXPENDITURES	\$ 1,920,578	\$ 1,694,575	\$ 1,211,226
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (402,345)	\$ (242,325)	\$ 25,169
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	\$ - 0 -	\$ - 0 -	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ (402,345)	\$ (242,325)	\$ 25,169
BEGINNING FUND BALANCE	811,835	1,054,160	1,028,991
ENDING FUND BALANCE	\$ 409,490	\$ 811,835	\$ 1,054,160

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2022	2021	2025	2024	2023	2022	2021
\$ 218,234	\$ 145,299	38.8 %	37.5 %	25.7 %	21.3 %	16.2 %
247,107	216,996	16.4	16.8	23.2	24.2	24.1
187,719	197,383	14.1	14.3	16.6	18.4	21.9
168,757	140,424	12.0	11.7	15.0	16.5	15.6
168,892	168,037	12.5	12.8	14.3	16.5	18.7
9,348	11,990	0.6	0.7	0.7	0.9	1.3
1,903	13,353	1.4	0.6		0.2	1.5
15,004	6,042	2.7	5.0	3.9	1.5	0.7
5,504		1.5	0.6	0.6	0.5	
<u>\$ 1,022,468</u>	<u>\$ 899,524</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 88,233	\$ 109,516	8.2 %	7.5 %	8.6 %	8.6 %	12.2 %
277,939	280,497	19.5	19.9	23.4	27.2	31.2
484,570	344,155	31.6	29.3	37.5	47.4	38.3
3,122	3,067	0.2	0.2	0.3	0.3	0.3
115,208	110,206	16.1	18.7	17.9	11.3	12.3
	8,940					1.0
70,835	51,704	6.6	6.7	6.3	6.9	5.7
<u>196,212</u>	<u>17,422</u>	<u>44.2</u>	<u>34.5</u>	<u>4.0</u>	<u>19.2</u>	<u>1.9</u>
<u>\$ 1,236,119</u>	<u>\$ 925,507</u>	<u>126.4 %</u>	<u>116.8 %</u>	<u>98.0 %</u>	<u>120.9 %</u>	<u>102.9 %</u>
\$ (213,651)	\$ (25,983)	(26.4) %	(16.8) %	2.0 %	(20.9) %	(2.9) %
\$ - 0 -	\$ 30,086					
\$ (213,651)	\$ 4,103					
<u>1,242,642</u>	<u>1,238,539</u>					
<u>\$ 1,028,991</u>	<u>\$ 1,242,642</u>					

See accompanying independent auditor's report.

PALMER PLANTATION MUNICIPAL UTILITY DISTRICT NO. 2
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2025	2024	2023
REVENUES			
Property Taxes	\$ 517,688	\$ 540,770	\$ 760,129
Penalty and Interest	24,911	12,677	21,627
Investment Revenues	28,446	39,061	44,568
Miscellaneous Revenues	7,954		
TOTAL REVENUES	\$ 578,999	\$ 592,508	\$ 826,324
EXPENDITURES			
Tax Collection Expenditures	\$ 40,246	\$ 25,303	\$ 30,221
Debt Service Principal	550,000	520,000	750,000
Debt Service Interest and Fees	45,625	61,225	83,650
Bond Issuance Costs			
TOTAL EXPENDITURES	\$ 635,871	\$ 606,528	\$ 863,871
NET CHANGE IN FUND BALANCE	\$ (56,872)	\$ (14,020)	\$ (37,547)
BEGINNING FUND BALANCE	489,243	503,263	540,810
ENDING FUND BALANCE	\$ 432,371	\$ 489,243	\$ 503,263
TOTAL ACTIVE RETAIL WATER CONNECTIONS	851	849	845
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	838	837	832

See accompanying independent auditor's report.

		Percentage of Total Revenue				
<u>2022</u>	<u>2021</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
\$ 773,503	\$ 788,766	89.4 %	91.3 %	92.0 %	95.2 %	98.7 %
29,983	7,249	4.3	2.1	2.6	3.7	0.9
9,073	3,514	4.9	6.6	5.4	1.1	0.4
		1.4				
<u>\$ 812,559</u>	<u>\$ 799,529</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 29,905	\$ 26,584	7.0 %	4.3 %	3.6 %	3.7 %	3.3 %
705,000	695,000	95.0	87.8	90.8	86.8	86.9
104,800	94,772	7.9	10.3	10.1	12.9	11.9
	2,000					0.3
<u>\$ 839,705</u>	<u>\$ 818,356</u>	<u>109.9 %</u>	<u>102.4 %</u>	<u>104.5 %</u>	<u>103.4 %</u>	<u>102.4 %</u>
\$ (27,146)	\$ (18,827)	<u>(9.9) %</u>	<u>(2.4) %</u>	<u>(4.5) %</u>	<u>(3.4) %</u>	<u>(2.4) %</u>
<u>567,956</u>	<u>586,783</u>					
<u>\$ 540,810</u>	<u>\$ 567,956</u>					
<u>845</u>	<u>841</u>					
<u>833</u>	<u>828</u>					

See accompanying independent auditor's report.

PALMER PLANTATION MUNICIPAL UTILITY DISTRICT NO. 2
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2025

District Mailing Address - Palmer Plantation Municipal Utility District No. 2
c/o Wallace & Philbin, LLP
6363 Woodway, Suite 800
Houston, TX 77057

District Telephone Number - (713) 739-1060

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the fiscal year ended December 31, 2025	Expense Reimbursements for the fiscal year ended December 31, 2025	Title
James Wagner	05/2022 05/2026 (Elected)	\$ 4,199	\$ 2,504	President
Billy Siems	05/2024 05/2028 (Elected)	\$ 2,652	\$ -0-	Vice President
Christy Nance	05/2024 05/2028 (Elected)	\$ 3,094	\$ 1,558	Secretary
Lawrence Bell	05/2022 05/2026 (Elected)	\$ 3,536	\$ 1,133	Deputy Secretary
Bob Butzke	05/2024 12/2025 (Resigned)	\$ 3,536	\$ 790	Former Director

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District’s developers or with any of the District’s consultants.

Submission date of most recent District Registration Form: November 11, 2024

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution (TWC Section 49.060). Fees of Office are the amounts actually paid to a Director during the District’s current fiscal year.

See accompanying independent auditor’s report.

PALMER PLANTATION MUNICIPAL UTILITY DISTRICT NO. 2
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2025

Consultants:	Date Hired	District Fees for the fiscal year ended December 31, 2025	Water Plant Fees for the fiscal year ended December 31, 2025	Title
Wallace & Philbin, LLP	02/01/21	\$ 68,522	\$ -0-	General Counsel
McCall Gibson Swedlund Barfoot Ellis PLLC	11/20/24	\$ 17,750	\$ 2,500	Auditor
L&S District Services, Inc.	02/16/22	\$ 32,699	\$ 8,717	Bookkeeper
Linebarger Goggan Blair & Sampson, LLP	03/01/21	\$ 8,427	\$ -0-	Delinquent Tax Attorney
LJA Engineering, Inc.	01/14/83	\$ 10,672	\$ -0-	Prior Engineer
A&S Engineers	10/16/24	\$ 37,494	\$ -0-	Engineer
Rathmann & Associates, L.P.	04/11/03	\$ -0-	\$ -0-	Financial Advisor
Debra Loggins	02/16/22	\$ -0-	\$ -0-	Investment Officer
Quail Valley Utility District	06/13/83	\$ 525,500	\$ 59,745	Operator
Assessments of the Southwest, Inc.	07/01/01	\$ 14,862	\$ -0-	Tax Assessor/ Collector

See accompanying independent auditor's report.

