

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 2, 2026

IN THE OPINION OF BOND COUNSEL, ASSUMING CONTINUING COMPLIANCE BY THE DISTRICT, AFTER DATE OF INITIAL DELIVERY OF THE BONDS WITH CERTAIN COVENANTS CONTAINED IN THE BOND ORDER AND SUBJECT TO THE MATTERS SET FORTH UNDER "LEGAL MATTERS" HEREIN, INTEREST ON THE BONDS FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS (1) WILL BE EXCLUDABLE FROM THE GROSS INCOME OF THE OWNERS THEREOF PURSUANT TO SECTION 103 IF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, TO THE DATE OF THE INITIAL DELIVERY OF THE BONDS, AND (2) WILL NOT BE INCLUDED IN COMPUTING THE ALTERNATIVE MINIMUM TAX OF THE OWNERS THEREOF WHO ARE INDIVIDUALS. SEE "LEGAL MATTERS" HEREIN.

The District will not designate the Bonds as "qualified tax-exempt obligations" for purposes of the calculation of interest expense by financial institutions which may own the Bonds. See "TAX MATTERS—Not Qualified Tax-Exempt Obligations for Financial Institutions."

BOOK-ENTRY-ONLY

Underlying Rating: S&P "A-"
See "MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE" herein.

\$4,060,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 189
(A political subdivision of the State of Texas located within Harris County)
UNLIMITED TAX BONDS
SERIES 2026

Dated: March 1, 2026

Due: April 1, as shown below

Interest Accrual Date: Date of Delivery

Principal of the \$4,060,000 Unlimited Tax Bonds, Series 2026 (the "Bonds") will be payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A., Houston, Texas (the "Paying Agent/Registrar"). See "THE BONDS—Paying Agent/Registrar." Interest on the Bonds will accrue from the initial date of delivery (expected to be on or about March 31, 2026) (the "Date of Delivery") and will be payable semiannually on October 1 and April 1 of each year commencing October 1, 2026 until maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued in fully registered form only in denominations of \$5,000 each or integral multiples thereof. The Bonds will be subject to redemption prior to their maturity, as shown below.

The Bonds will be initially 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 "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, directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the Beneficial Owners. See "BOOK-ENTRY-ONLY SYSTEM."

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Due (April 1)	Principal Amount (a)	Interest Rate	Initial Reoffering Yield (d)	CUSIP Number (c)	Due (April 1)	Principal Amount (a)	Interest Rate	Initial Reoffering Yield (d)	CUSIP Number (c)
2030	\$ 50,000				2041	\$ 130,000	(b)		
2031	80,000				2042	135,000	(b)		
2032	85,000				2043	140,000	(b)		
2033	85,000 (b)				2044	150,000	(b)		
2034	90,000 (b)				2045	155,000	(b)		
2035	95,000 (b)				2046	165,000	(b)		
2036	100,000 (b)				2047	175,000	(b)		
2037	105,000 (b)				2048	180,000	(b)		
2038	110,000 (b)				2049	190,000	(b)		
2039	115,000 (b)				2050	800,000	(b)		
2040	125,000 (b)				2051	800,000	(b)		

- (a) The Initial Purchaser (as herein defined) may designate one or more maturities as term bonds. See accompanying "Official Notice of Sale" and "Official Bid Form."
- (b) The Bonds maturing on and after April 1, 2033 are subject to redemption prior to maturity at the option of the District (as hereunder defined), in whole or, from time to time in part, on April 1, 2032, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. See "THE BONDS—Redemption Provisions."
- (c) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (d) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Initial Purchaser for offers to the public and which may be subsequently changed by the Initial Purchaser and is the sole responsibility of the Initial Purchaser. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date.

The Bonds, when issued, will constitute valid and legally binding obligations of Harris County Municipal Utility District No. 189 (the "District") and will be payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston or any entity other than the District. Investment in the Bonds is subject to special investment considerations described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about March 31, 2026.

Bids Due: Monday, March 2, 2026 at 9:45 A.M., Houston Time, Houston, Texas
Bid Award: Monday, March 2, 2026 at 12:00 Noon, Houston Time, Houston, Texas

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 buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any 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.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

Any information and expressions of opinion herein contained are subject to change and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof.

All of the summaries of the statutes, 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 Norton Rose Fulbright US LLP, 1550 Lamar Street, Suite 2000, Houston, Texas 77010, for further information.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12, as amended.

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

OFFICIAL STATEMENT SUMMARY

The following information is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. The summary should not be detached and should be used in conjunction with more complete information contained herein. A full review should be made of the entire Official Statement and of the documents summarized or described therein.

THE FINANCING

- The Issuer* Harris County Municipal Utility District No. 189 (the “District”), a political subdivision of the State of Texas (the “State”), is located in Harris County, Texas. See “THE DISTRICT.”
- The Issue* \$4,060,000 Harris County Municipal Utility District No. 189, Unlimited Tax Bonds, Series 2026, dated March 1, 2026 (the “Bonds”), are issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including but not limited to Chapters 49 and 54, Texas Water Code, as amended, an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the Board of Directors of the District, an approving order of the Texas Commission on Environmental Quality (the “TCEQ” or “Commission”), and bond elections held within the District. The Bonds will be issued as fully registered bonds maturing in the years and in the amounts and accruing interest at the rates shown on the cover hereof. Interest on the Bonds will accrue from the Date of Delivery and will be payable October 1 and April 1 of each year commencing October 1, 2026 until maturity or prior redemption and will be calculated on the basis of 360-day year consisting of twelve 30-day months. See “THE BONDS.”
- Redemption* The Bonds maturing on and after April 1, 2033 are subject to optional redemption, in whole or, from time to time, in part, on April 1, 2032, or on any date thereafter, at a price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption. See “THE BONDS—Redemption Provisions.”
- Book-Entry-Only* The Bonds will be initially registered in the name of, and delivered only to, Cede & Co., the nominee of DTC, 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. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC, 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 “BOOK-ENTRY-ONLY SYSTEM.”
- Source of Payment* The Bonds are payable from a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The Bonds are obligations solely of the District and are not obligations of the State, Harris County, the City of Houston or any entity other than the District. See “THE BONDS—Source and Security for Payment.”
- Use of Proceeds* Proceeds from the sale of the Bonds will be used to finance the construction and engineering costs and other expenses related to (1) wastewater treatment plant upgrades; and (2) Water Plant No. 2 upgrades. In addition, Bond proceeds will be used to capitalize nine (9) months of interest on the Bonds and certain other costs related to the issuance of the Bonds. See “THE SYSTEM—Use and Distribution of Bond Proceeds.”
- Payment Record* The District has previously issued \$31,330,000 in principal amount of unlimited tax bonds in six series and \$20,235,000 in principal amount of unlimited tax refunding bonds in four series, of which \$17,675,000 is outstanding as of the date hereof (the “Outstanding Bonds”). The District has never defaulted on the debt service payments on the Outstanding Bonds. See “FINANCIAL STATEMENT.”
- Legal Matters* In the opinion of Bond Counsel, under existing law, interest on the Bonds will be excludable from gross income for federal income tax purposes. See “LEGAL MATTERS.”

<i>Not Qualified Tax-Exempt Obligations</i>	The District will not 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—Not Qualified Tax-Exempt Obligations.”
<i>Bond Counsel</i>	Norton Rose Fulbright US LLP, Houston, Texas.
<i>Disclosure Counsel</i>	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
<i>Financial Advisor</i>	Masterson Advisors LLC, Houston, Texas.
<i>Paying Agent/Registrar</i>	The Bank of New York Mellon Trust Company, N.A., Houston, Texas.
<i>Municipal Bond Rating and Municipal Bond Insurance</i>	Application has been made to S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) for an underlying rating on the Bonds, and S&P has assigned an underlying rating of “A-” to the Bonds. Application has also been made to various municipal bond insurance companies for qualification of the Bonds for municipal bond insurance. If qualified, such insurance will be available at the option of the Initial Purchaser at the Initial Purchaser’s expense. The rating fee of S&P will be paid for by the District; payment of any other rating fee will be the responsibility of the Initial Purchaser. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance” and “MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE.”

THE DISTRICT

DescriptionThe District is a conservation and reclamation district and a political subdivision of the State, and operates as a municipal utility district pursuant to chapters 49 and 54 of the Texas Water Code, as amended. It is located approximately 15 miles north of downtown Houston. The District is located west of Interstate Highway 45, north of Airtex Boulevard and south of FM 1960. The District is located within the extraterritorial jurisdiction of the City of Houston and most of the District is located within the boundaries of Spring Independent School District. The District annexed approximately 8 acres in October 2025 and currently contains approximately 527 acres of land. See “THE DISTRICT” and “AERIAL PHOTOGRAPH.”

Status of DevelopmentApproximately 51 acres of land within the District have been developed as Timber Crossing East, Timber Crossing West, and Darbydale Crossing, Sections One through Three, which collectively encompass 282 single-family residential lots. As of January 31, 2026, the District contained 280 occupied single-family homes, and 2 vacant single-family homes.

Located within the District are 10 apartment complexes (1 of which is mostly vacant) and 2 condominium complexes on approximately 78 acres of land, consisting of 1,976 total number of units.

Approximately 240 acres of land in the District have been developed for commercial purposes. Approximately 60 acres of the commercial development has water distribution, wastewater collection and storm drainage facilities available but does not currently have above-ground improvements. Commercial development in the District includes a Lupe Tortilla Restaurant, Las Margarita’s Mexican Restaurant & Cantina, Ostioneria Michoacan, MeXcal Cantina Pacifico, Ojos Locos Sports Cantina, the Toasted Yolk Café, a Subway, a Checkers, Spanish Flowers Restaurant and a Saltgrass Steakhouse. Also located in the District are SpringHill Suites by Marriott, Candlewood Suites Hotel, Paradise Inn, Mustang Inn, Slick Willie’s Family Pool Hall, Flying J Travel Plaza, a Dollar General, a Public Storage, Commonwealth Institute of Funeral Service, a U-Haul, a mental health/therapy center, a carwash, a tire shop, a washateria, two sport complexes, numerous office buildings, several gas stations and convenience stores and several shopping centers. In addition, an approximately 350,000 square foot industrial warehouse is under construction on approximately 29 acres of land with completion expected in the first quarter of 2027.

The District also has approximately 62 acres of developable land that has not yet been developed and 67 acres of undevelopable land including easements and plant sites. See “THE DISTRICT.”

INVESTMENT CONSIDERATIONS

The purchase and ownership of the Bonds are subject to special investment risks, and all prospective purchasers are urged to examine carefully the entire Official Statement with respect to the investment security of the Bonds, including particularly the section captioned “INVESTMENT CONSIDERATIONS.”

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2025 Certified Taxable Assessed Valuation.....	\$411,591,706	(a)
Gross Direct Debt Outstanding	\$21,735,000	(b)
Estimated Overlapping Debt	<u>31,032,368</u>	(c)
Gross Direct Debt and Estimated Overlapping Debt.....	\$52,767,368	
Ratio of Gross Direct Debt to:		
2025 Certified Taxable Assessed Valuation.....	5.28%	
Ratio of Gross Direct and Estimated Overlapping Debt to:		
2025 Certified Taxable Assessed Valuation.....	12.82%	
Capital Project Funds Available as of February 2, 2026	\$7,966,605	
Operating Funds Available as of February 2, 2026	\$2,081,121	
Funds Available for Debt Service:		
Debt Service Funds Available as of February 2, 2026	\$834,700	(d)
Capitalized Interest from Proceeds of the Bonds (Nine (9) Months)	<u>137,025</u>	(e)
Total Funds Available for Debt Service.....	\$971,725	
2025 Debt Service Tax Rate.....	\$0.32	
2025 Maintenance and Operations Tax Rate.....	<u>0.30</u>	
Total	\$0.62	
Projected Average Annual Debt Service Requirement (2026-2051).....	\$1,404,254	(f)
Tax Rate Required to Pay Average Annual Debt Service (2026-2051) at a 95% Collection Rate Based upon 2025 Certified Taxable Assessed Valuation	\$0.36	
Projected Maximum Annual Debt Service Requirement (2048).....	\$1,503,350	(f)
Tax Rate Required to Pay Maximum Annual Debt Service (2048) at a 95% Collection Rate Based upon 2025 Certified Taxable Assessed Valuation.....	\$0.39	
Status of Construction as of January 31, 2026 (g):		
Single-Family Homes – Occupied	280	
Single-Family Homes – Unoccupied	2	
Commercial Connections	73	
Apartment and Townhouse Units.....	1,976	
Estimated Population	4,932	(h)

- (a) As certified by the Harris Central Appraisal District (the “Appraisal District”). See “TAXING PROCEDURES.”
- (b) Includes the Bonds and the Outstanding Bonds. See “FINANCIAL STATEMENT—Outstanding Bonds.”
- (c) See “ESTIMATED OVERLAPPING DEBT STATEMENT—Estimated Overlapping Debt.”
- (d) Neither the Bond Order nor Texas law requires the District to maintain any particular balance in such fund.
- (e) Nine (9) months of interest on the Bonds will be capitalized from the proceeds of the Bonds and deposited to the Debt Service Fund. The amount shown above is estimated at 4.50%. See “THE SYSTEM—Use and Distribution of Bond Proceeds.”
- (f) See “DEBT SERVICE REQUIREMENTS.”
- (g) See “THE DISTRICT.”
- (h) Based upon 3.5 persons per occupied single-family residence and 2.0 persons per apartment and townhouse unit.

PRELIMINARY OFFICIAL STATEMENT

\$4,060,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 189

(A political subdivision of the State of Texas located within Harris County)

UNLIMITED TAX BONDS SERIES 2026

This Official Statement provides certain information in connection with the issuance by Harris County Municipal Utility District No. 189 (the "District") of its \$4,060,000 Unlimited Tax Bonds, Series 2026 (the "Bonds").

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended, elections held within the District on April 5, 1980 and May 10, 2008 (the "Elections"), an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board"), and an order of the Texas Commission on Environmental Quality (the "TCEQ" or "Commission").

This Official Statement includes descriptions of, among others, the Bonds, the Bond Order, and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Norton Rose Fulbright US LLP, Bond Counsel, 1550 Lamar Street, Suite 2000, Houston, Texas 77010, upon the payment of the costs of duplication.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order, a copy of which is available from Bond Counsel upon payment of the costs of duplication therefor. 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.

Description

The Bonds are dated March 1, 2026, and mature on April 1 in each of the years and in the amounts shown on the cover page hereof. Interest will accrue from the Date of Delivery (expected to be on or about March 31, 2026) and will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on October 1 and April 1, commencing October 1, 2026. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the partnership nominee of The Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Initially, principal of and interest on the Bonds will be payable by The Bank of New York Mellon Trust Company, N.A., Houston, Texas (the "Paying Agent/Registrar") to Cede & Co., as registered owner. DTC 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 "BOOK-ENTRY-ONLY SYSTEM."

In the event the Book-Entry-Only System is discontinued and physical bond certificates issued, interest on the Bonds shall be payable by check on or before each interest payment date, mailed by the Paying Agent/Registrar to the registered owners ("Registered Owners") as shown on the bond register (the "Register") kept by the Paying Agent/Registrar at the close of business on the 15th calendar day of the month immediately preceding each interest payment date to the address of such Registered Owner as shown on the Register, or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

The record date for payment of 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. If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day, as defined in the Bond Order, without additional interest and with the same force and effect as if made on the specified date for such payment.

Authority for Issuance

At two bond elections held within the District, voters of the District authorized the issuance of \$41,700,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and \$25,000,000 of unlimited tax bonds for refunding purposes. The Bonds constitute the seventh issuance of bonds from such authorization. After the sale of the Bonds, a total of \$6,310,000 in principal amount of unlimited tax bonds for such facilities will remain authorized but unissued.

The Bonds are issued by the District pursuant to the terms and conditions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended; and an order of the Commission. By order, the Commission authorized the District to sell the Bonds subject to certain restrictions including the use of Bond proceeds as summarized in “THE SYSTEM—Use and Distribution of Bond Proceeds.” Before the Bonds can be issued, the Attorney General of Texas must pass on the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement. See “LEGAL MATTERS—Legal Opinions.”

Paying Agent/Registrar

The Board has selected The Bank of New York Mellon Trust Company, N.A., Houston, Texas (the “Paying Agent/Registrar”) as the initial Paying Agent and Registrar for the Bonds. The initial designated payment office for the Bonds is located in Houston, Texas. Provision is made in the Bond Order for removal of the Paying Agent/Registrar, provided that no such removal shall be effective until a successor paying agent/registrar shall have accepted the duties of the Paying Agent/Registrar under the provisions of the Bond Order. Any successor paying agent/registrar selected by the District shall be a corporation organized and doing business under the laws of the United States of America or of any state authorized under such laws to exercise trust powers, shall have a combined capital and surplus of at least \$10,000,000, shall be subject to supervision or examination by federal or state authority, shall be registered as a transfer agent with the Securities and Exchange Commission and shall have a corporate trust office in the State of Texas.

Registration, Transfer and Exchange

Upon surrender for transfer of any Bond at the place of payment, the District shall execute, and the Paying Agent/Registrar shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new fully registered Bonds of the same stated maturity, of any authorized denominations, and of a like aggregate principal amount.

At the option of the Registered Owner, Bonds may be exchanged for other Bonds of the same stated maturity, of any authorized denominations, and of like aggregate principal amount, upon surrender of the Bonds to be exchanged at the place of payment. Whenever any Bonds are so surrendered for exchange, the District shall execute, and the Paying Agent/Registrar shall authenticate and deliver, the Bonds which the Registered Owner of Bonds making the exchange is entitled to receive.

All Bonds issued upon any transfer or exchange of Bonds shall be valid obligations of the District, evidencing the same debt, and entitled to the same benefits under the Bond Order, as the Bonds surrendered upon such transfer or exchange.

Every Bond presented or surrendered for transfer or exchange shall be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the District and the Paying Agent/Registrar duly executed, by the Registered Owner thereof or his attorney duly authorized in writing.

No service charge shall be made to the Registered Owner for any registration, transfer, or exchange of Bonds, but the District or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds.

Neither the District nor the Paying Agent/Registrar shall be required (1) to transfer or exchange any Bond during a period beginning at the opening of business 15 days before the day of the first mailing of a notice of redemption of Bonds hereunder and ending at the close of business on the day of such mailing or (2) thereafter to transfer or exchange in whole or in part any Bond so selected for redemption.

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on and after April 1, 2033, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on April 1, 2032, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC by lot or such other customary method. See “BOOK-ENTRY-ONLY SYSTEM.”

Mandatory Sinking Fund Redemption

If the successful bidder designates principal amounts to be combined into one or more term bonds, each such term bond shall be subject to mandatory sinking fund redemption commencing on April 1 of the first year which has been combined to form such term bond and continuing on April 1 in each year thereafter until the stated maturity date of that term bond. The amount redeemed in any year shall be equal to the principal amount for such year set forth under the caption “—Description.” Bonds to be redeemed in any year by mandatory sinking fund redemption shall be redeemed at par by lot or other customary method. The principal amount of term bonds to be mandatorily redeemed is subject to proportionate reduction by the amount of any prior optional redemption.

Source of Payment

The Bonds and the Outstanding Bonds (together with such additional tax bonds as may hereafter be issued by the District) will be payable as to principal and interest from the proceeds of a continuing direct annual ad valorem tax, without legal limit as to rate or amount, levied against all taxable property within the District to the extent and subject to the conditions described below. See "TAXING PROCEDURES." The Bonds involve certain elements of risk and all prospective purchasers are urged to examine carefully this entire Official Statement with respect to the investment security of the Bonds, including particularly the section captioned "INVESTMENT CONSIDERATIONS."

Tax Pledge: The Board covenants in the Bond Order that, while any of the Bonds are outstanding and the District is in existence, it will levy an annual ad valorem tax, without legal limit as to rate or amount, and will undertake to collect such a tax against all taxable property within the District at a rate from year to year sufficient, with full allowance being made for anticipated delinquencies, together with revenues and receipts from other sources which are legally available for such purposes, to pay interest on the Bonds as it becomes due, to provide for the payment of principal when due or the redemption price at any earlier required redemption date, and to pay the expenses of assessing and collecting such a tax. The net proceeds from taxes levied to pay debt service on the Bonds are required to be placed in the Debt Service Fund for the Bonds and other tax-supported debt of the District. This account may be used solely to pay the principal of and interest on the Bonds and other tax-supported debt of the District.

Annexation: Under Texas law, a city is authorized to annex property within its extraterritorial jurisdiction and to abolish the municipal utility district in which such property is located, subject to compliance with various requirements of the Texas Local Government Code, including the following: (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. If a city and a municipal utility district existing within its extraterritorial jurisdiction have entered into a strategic partnership agreement, however, the election and petition process specified above do not apply during the term of the agreement. The agreement may provide for a full purpose annexation or a limited purpose annexation. See "—Strategic Partnership Agreement" herein.

The District is located within Harris County, a county with a population of 500,000 or more, and within the extraterritorial jurisdiction of the City of Houston (the "City"). If the City were to successfully meet the requirements set forth in the Texas Local Government Code and annex the property within the District, the City would assume the District's assets and obligations (including the Bonds) and dissolve the District. The commencement of annexation proceedings by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation that the City will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur.

Strategic Partnership Agreement: Effective April 9, 2007, the District entered into a Strategic Partnership Agreement with the City as authorized by the Texas Local Government Code Chapter 43 (the "SPA"). The SPA provides for a "limited purpose annexation" of that portion of the District to be developed for retail and commercial purposes for purposes of application of certain City health, safety, planning and zoning ordinances within that portion of the District. The portion of the District consisting of residential development is not subject to the limited purpose annexation. The SPA also provides that the City will not annex the District for "full purposes" (a traditional municipal annexation) for at least thirty (30) years from the effective date of the SPA. Also, as a condition of full purpose annexation, any unpaid reimbursement obligations due to a developer by the District for water, wastewater, and storm drainage facilities must be assumed by the City to the maximum extent permitted by the Commission rules.

As a result of the SPA, the City is authorized to impose a one percent retail City sales tax within the portion of the District included in the limited purpose annexation. Pursuant to the SPA, the City pays to the District an amount equal to one-half of all retail sales tax revenues generated within such area of the District and received by the City from the Texas Comptroller of Public Accounts (herein defined as the "Contract Sales Tax Revenue"). Pursuant to State law, the District is authorized to use the Contract Sales Tax Revenue generated pursuant to the SPA for any lawful purpose.

The District has not pledged Contract Sales Tax Revenues, if and to the extent received in the future, toward payment of principal of and interest on the Bonds.

Consolidation: A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets, such as cash and the utility system, with the water and wastewater systems of districts with which it is consolidating as well as its liabilities (which would include the Bonds). No representation is made concerning the likelihood of consolidation, but the District currently has no plans to do so.

Defeasance: Any Bond shall be deemed to be paid and shall no longer be considered to be a Bond within the meaning of the Bond Order when payment of the principal of and interest on such Bond to the stated maturity thereof or (if notice of redemption shall have been duly given, irrevocably provided for, or waived as provided herein) to the redemption date shall have been made or shall have been provided for by deposit with the Paying Agent/Registrar for such payment (or with any other bank or trust company which has agreed to hold the same for such purpose) (1) money sufficient to make such payment, (2) Governmental Obligations certified by an independent public accounting firm of national reputation to be of such maturities

and interest payment dates and to bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment, or (3) a combination of money and Governmental Obligations together so certified sufficient to make such payment, provided that all the expenses pertaining to the Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Paying Agent/Registrar.

If such deposit is made for some but not all of the then Outstanding Bonds, the District shall designate the stated maturities of Bonds for which such deposit is made. If such deposit shall be sufficient to provide for the payment of the principal of and interest on some but not all Outstanding Bonds of a particular stated maturity so designated, the Paying Agent/Registrar shall select the Outstanding Bonds of such stated maturity with respect to which such deposit is made by such random method as the Paying Agent/Registrar shall deem fair and appropriate and which may provide for the selection of portions (equal to \$5,000 or any integral multiple thereof) of the principal amount of Bonds of a denomination larger than \$5,000.

Any money and Governmental Obligations deposited for such purpose shall be held by the Paying Agent/Registrar with which such deposit is made in a segregated account in trust or escrow for the Registered Owners of the Bonds with respect to which such deposit is made and, together with any investment income therefrom, shall be disbursed solely to pay the principal of and interest on such Bonds when due, except that cash receipts may be withdrawn and paid to the District provided the date and amount of such withdrawals are taken into account in the most recent verification of the accounting firm referred to in this Section. No money or Governmental Obligations so deposited shall be invested or reinvested unless in Governmental Obligations and unless such money and Governmental Obligations not invested and such new investments are together certified by an independent public accounting firm of national reputation to be of such amounts, maturities, and interest payment dates and to bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment.

“Governmental Obligations” means (1) direct obligations of, or obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America, or (2) obligations authorized under Texas law from time to time for discharge and final payment of political or governmental subdivisions which, at the time of deposit have been assigned ratings in the highest rating category of either Moody’s Investors Service or Standard & Poor’s, or any successor to the bond operations of either of such corporations, but in the case of both Clauses (1) and (2) only if such obligations may not be called for redemption prior to maturity.

At such times as a Bond shall be deemed to be paid, as aforesaid, it shall no longer be entitled to the benefits of the Bond Order, except for the purposes of any such payment from such money or Governmental Obligations.

Funds and Accounts

The Bond Order confirms establishment and maintenance by the District of a Bond Fund and a Construction Fund (as both are further described in the Bond Order).

The Bond Fund is the District’s interest and sinking fund. The Bond Order requires that the District credit to the Bond Fund (i) all net receipts of District ad valorem taxes (and penalty and interest thereon) levied to pay debt service requirements on (or fees and expenses of the Paying Agent with respect of) the Bonds, the Outstanding Bonds, and any other tax-supported obligations of the District, (ii) any capitalized interest on the Bonds, (iii) all earnings from investment of the Bond Fund and (iv) any other funds of the District deposited to the Bond Fund. Nine (9) months of capitalized interest from Bond proceeds will be deposited into the Bond Fund. The Bond Order requires that the Bond Fund be applied solely to pay the principal or redemption price of, interest on, and the Paying Agent fees with respect to the Bonds, the Outstanding Bonds, and any other tax-supported obligations of the District when due.

The Construction Fund is the capital improvements fund of the District. The Bond Order requires the District to deposit into the Construction Fund the balance of the proceeds of the sale of the Bonds remaining after deposit of the amounts required to be deposited into the Bond Fund. The Construction Fund may be applied solely (i) to pay the costs necessary or appropriate to accomplish the purposes for which the Bonds were issued and (ii) to the extent the proceeds of any series of bonds deposited to the Construction Fund and investment income attributable thereto are in excess of the amounts required for such purposes, then in the discretion of the District to transfer such unexpended proceeds or income to the District’s interest and sinking fund or with the approval of the Commission to apply the same to one or more other lawful purposes for which surplus construction funds may be used.

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.

Issuance of Additional Debt

The District's voters have authorized the issuance of a total of \$41,700,000 unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and could authorize additional amounts. After the sale of the Bonds, a total of \$6,310,000 in principal amount of unlimited tax bonds for facilities will remain authorized but unissued. The District may issue additional bonds, with the approval of the Commission necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. The District may issue system revenue bonds without an election. A total of \$22,275,000 in principal amount of unlimited tax refunding bonds is authorized but unissued. See "THE DISTRICT—General."

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

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

Pursuant to Chapter 54 of the Texas Water Code, as amended, a municipal utility district may petition the Commission for the power to issue bonds supported by property taxes to finance roads. Before the District could issue such bonds, the District would be required to receive a grant of such power from the Commission, authorization from the District's voters to issue such bonds, and approval of the bonds by the Attorney General of Texas. The District has not considered filing an application to the Commission for road powers, nor calling such an election at this time.

Any additional unlimited tax bonds issued by the District will be on a parity with the Bonds and may dilute the investment security for the Bonds. See "INVESTMENT CONSIDERATIONS—Future Debt."

Additional Covenants

In the Bond Order, the District has additionally covenanted that it will (1) maintain insurance on its facilities of a kind and in an amount which usually would be carried by private companies engaged in a similar type of business, but considering any governmental immunities to which the District may be entitled, (2) keep accurate records and accounts and engage an independent certified public accountant to audit its financial statements at the close of each fiscal year, such audit to be in accordance with applicable law, rules and regulations, and open to inspection in the office of the District during normal office hours, (3) maintain its facilities in good condition and repair, ordinary wear and tear and obsolescence excepted, and operate its facilities in an efficient manner and at a reasonable cost and (4) secure the Bond Fund in the manner and to the fullest extent required by law for the security of District funds.

Tax Covenants

In the Bond Order, the District has covenanted with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed therewith, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States of arbitrage profits from the investment of proceeds, and the reporting of certain information to the United States Treasury.

Amendments to the Bond Order

The District may, without the consent of or notice to any Registered Owner, from time to time and at any time amend the Bond Order in any manner not detrimental to the interests of the Registered Owner of the Bonds, including the curing of any ambiguity, inconsistency, or formal defect or omission. In addition, the District may, with the written consent of the Registered Owners of a majority in aggregate principal amount of the Outstanding Bonds affected thereby, amend, add to, or rescind any of the provisions of the Bond Order except that, notwithstanding the foregoing, without the consent of the Registered Owner of all of the affected Outstanding Bonds, no such amendment, addition, or rescission shall (1) change the stated maturity of the Bonds or any installment of interest thereon, reduce the principal amount thereof, the redemption price therefor, or the rate of interest thereon, change the place or places at, or the coin or currency in, which any Bond or the interest thereon is payable, or in any other way modify the terms or sources of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, (3) modify the provisions of the proviso to the definition of the term "Outstanding Bonds," or (4) modify any of the provisions of the Bond Order governing amendments, except to increase the percentage provided therein or to provide that certain other provisions of the Bond Order cannot be modified or waived.

Any consent to any amendment of the Bond Order by the Registered Owner any Bond shall bind every future Registered Owner of the same Bond and the Registered Owner of every Bond issued upon transfer or in lieu thereof or in exchange therefor, in respect of anything done or suffered to be done by the District in reliance thereon, whether or not notation of such action is made upon such Bond.

Remedies in Event of Default

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

Replacement of Mutilated, Lost or Stolen Bonds

If (1) any mutilated Bond is surrendered to the Paying Agent/Registrar, or the District and the Paying Agent/Registrar receive evidence to their satisfaction of the destruction, loss, or theft of any Bond, and (2) there is delivered to the District and the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the District or the Paying Agent/Registrar that such Bond has been acquired by a bona fide purchaser, the District will execute and upon its request the Paying Agent/Registrar shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost, or stolen Bond, a new Bond of the same Stated Maturity and of like tenor and principal amount, bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost, or stolen Bond has become or is about to become due and payable, the District in its discretion may pay such Bond instead of issuing a new Bond.

Upon the issuance of any new Bond, the District or the Paying Agent/Registrar may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses connected therewith.

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 nor 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, 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.

General

DTC, New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond 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 rating of AA+ from S&P Global Ratings, a division of S&P Global, Inc. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

THE DISTRICT

General

The District is a municipal utility district created by an order of the Texas Water Commission, a predecessor agency to the Commission, dated November 13, 1979, under Article XVI, Section 59 of the Texas Constitution, and operates as a municipal utility district pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to water districts.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may provide solid waste disposal and collection and is also empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts and may issue bonds for fire-fighting facilities, after approval by the TCEQ and the voters of the District. The District is also authorized to provide security services and to construct and acquire park and recreational facilities and may issue bonds for park and recreational facilities after approval by the TCEQ and the voters of the District. The District may petition the TCEQ for the power to issue bonds to finance roads. If granted, the District may issue bonds to finance roads after approval by the voters of the District.

The TCEQ exercises continuing supervisory jurisdiction over the District. The District is required to observe certain requirements of the City of Houston that limit the purposes for which the District may sell bonds to the acquisition, construction, and improvement of waterworks, wastewater, and drainage facilities, certain park and recreational facilities, firefighting facilities, roads and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of Houston of District construction plans; and permit connections only to platted lots and reserves which have been approved by the Planning Commission of the City of Houston. See "THE SYSTEM."

Description and Location

The District annexed approximately 8 acres in October 2025 and currently contains approximately 527 acres. The District is located approximately 15 miles north of the central business district of the City of Houston and west of Interstate Highway 45 North, north of Airtex Boulevard and south of FM 1960. The District is located within the extraterritorial jurisdiction of the City of Houston, and most of the District is located within the boundaries of Spring Independent School District. See "AERIAL PHOTOGRAPH."

Residential Development

Water, sanitary sewer and drainage facilities have been constructed to serve Darbydale Crossing, Sections One through Three, Timber Crossing East, and Timber Crossing West, encompassing approximately 51 acres developed into 282 single-family residential lots. As of January 31, 2026, there were 280 completed and occupied homes and 2 completed and unoccupied homes in the District.

Multi-Family Development

Approximately 78 acres have been developed as apartment units. There are 10 apartment complexes (1 of which is mostly vacant) and 2 condominium complexes, consisting of 1,976 units.

Commercial Development

Approximately 240 acres of land in the District have been developed for commercial purposes. Approximately 60 acres of the commercial development has water distribution, wastewater collection, and storm drainage facilities available but does not currently have above-ground improvements. Commercial development in the District includes a Lupe Tortilla Restaurant, Las Margarita's Mexican Restaurant & Cantina, Ostioneria Michoacan, MeXcal Cantina Pacifico, Ojos Locos Sports Cantina, the Toasted Yolk Café, a Subway, a Checkers, Spanish Flowers Restaurant and a Saltgrass Steakhouse. Also located in the District are SpringHill Suites by Marriott, Candlewood Suites Hotel, Paradise Inn, Mustang Inn, Slick Willie's Family Pool Hall, Flying J Travel Plaza, a Dollar General, a Public Storage, Commonwealth Institute of Funeral Service, a U-Haul, a mental health/therapy center, a carwash, a tire shop, a washateria, two sport complexes, numerous office buildings, several gas stations and convenience stores and several shopping centers. In addition, an approximately 350,000 square foot industrial warehouse is under construction on approximately 29 acres of land with completion expected in the first quarter of 2027.

Undeveloped Acreage

The District also has approximately 62 acres of developable land that has not yet been developed and 67 acres of undevelopable land including easements and plant sites.

MANAGEMENT

Board of Directors

The District is governed by the Board of Directors consisting of five (5) directors (the "Directors"), which has control over and management supervision of all affairs of the District. The Directors and Officers of the District, together with their titles and terms, are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Bruce Crawford	President	May 2026
Derwood Cone	Vice President	May 2026
Vijay Mishra	Secretary	May 2028
Harry Jackson	Assistant Secretary	May 2028
Whitten Stuckey	Assistant Secretary	May 2028

All of the Directors listed above own property within the District. Director elections are held only in even numbered years on the uniform election date in May.

The District has no full-time employees but instead contracts with the following entities for professional services.

Tax Assessor/Collector

Land and improvements within the District are appraised for ad valorem taxation purposes by the Harris Central Appraisal District (the "Appraisal District"). The District's Tax Assessor/Collector is appointed by the Board of Directors of the District to collect the District's taxes. Wheeler & Associates, Inc. is currently serving in this capacity for the District.

System Operator

The District contracts with H2O Innovation Inc. (the "Operator"), for maintenance and operation of the District's system.

Bookkeeper

The District contracts with District Data Services (the “Bookkeeper”) for bookkeeping services for the District.

Engineer

Vogler & Spencer Engineering, Inc. provides consulting engineering services to the District (the “Engineer”).

Auditor

The financial statements of the District as of June 30, 2025 and for the year then ended, included in this offering document, have been audited by Forvis Mazars, LLP, independent auditors, as stated in their report appearing herein. See “APPENDIX A.”

Bond Counsel and General Counsel

Norton Rose Fulbright US LLP (“Bond Counsel”) serves as bond counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. In addition, Norton Rose Fulbright US LLP serves as general counsel to the District on matters other than the issuance of bonds.

Financial Advisor

Masterson Advisors LLC (the “Financial Advisor”) serves as financial advisor to the District. The fee to be paid the Financial Advisor is contingent upon the sale and delivery of the Bonds.

Disclosure Counsel

McCall, Parkhurst & Horton L.L.P, Houston, Texas (“Disclosure Counsel”) has been engaged by the District to serve as disclosure counsel. Fees for services rendered by Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

THE SYSTEM

Regulation

According to the District’s Engineer, the District’s water distribution, wastewater collection, and storm drainage facilities (collectively, the “System”) have been designed in accordance with accepted engineering practices and the then current requirements of various agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities. The construction of the System was required to be accomplished in accordance with the standards and specifications of such entities and is subject to inspection by each such entity. Operation of the System must be accomplished in accordance with the standards and requirements of such entities. The Commission exercises continuing supervisory authority over the District. Discharge of treated sewage is subject to the regulatory authority of the Commission and the U.S. Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of the Harris County Flood Control District, Harris County and, in some instances, the Commission. Harris County, and the Texas Department of Health also exercise regulatory jurisdiction over the System, and the City of Houston, as applicable, may be required to review and approve future plans and specifications. The regulations and requirements of entities exercising regulatory jurisdiction over the System are subject to further development and revision which, in turn, could require additional expenditures by the District in order to achieve compliance. The descriptions of the System and certain related services in this section are based upon information which has been supplied by the District’s Engineer.

Water Supply

The District’s water supply system includes (1) Water Plant No. 1, which includes a 900 gallon per minute (“gpm”) well, an auxiliary natural gas generator, a 126,000 gallon ground storage tank, a 315,184 gallon ground storage tank, three booster pumps, two 20,000 gallon hydropneumatics tanks and one 10,000 gallon hydropneumatic tank and (2) Water Plant No. 2, which includes a 429,177 gallon ground storage tank, a 210,000 gallon ground storage tank, a 1,611 gpm well, an auxiliary natural gas generator, four booster pumps and two 20,000 gallon hydropneumatic tanks. According to the District’s Engineer, the District has adequate water supply capacity to serve 3,250 equivalent single-family connections, and is currently serving 2,450 equivalent single-family connections. A portion of the proceeds from the Bonds will be expended to finance the construction and engineering costs associated with the rehabilitation of Water Plant No. 2. See “—Use and Distribution of Bond Proceeds” herein.

The District also has emergency water interconnects with North Forest Municipal Utility District.

Subsidence District Requirements

The District is within the boundaries of the Harris-Galveston Subsidence District (the “Subsidence District”) which regulates groundwater withdrawal. The District’s authority to pump groundwater from its well is subject to annual permits issued by the Subsidence District. On April 14, 1999, the Subsidence District adopted a District Regulatory Plan to reduce groundwater withdrawal through conversion to surface water in areas within the Subsidence District’s jurisdiction (as amended, the “Regulatory Plan”). Under the Regulatory Plan, the District was required to submit a groundwater reduction plan (“GRP”) to the Subsidence District by January 2003 and begin construction of infrastructure identified in the GRP by January 2005, or pay a disincentive fee for any groundwater withdrawn in excess of 20% of the District’s total annual water demand. Additional disincentive fees will be imposed under the Regulatory Plan if the District’s groundwater withdrawal exceeds 70% of the District’s total annual water demand beginning January 2010, exceeds 40% of the District’s total annual water demand beginning January 2025, and exceeds 20% of the District’s total annual water demand beginning January 2035.

The District is included in the Groundwater Reduction Plan (“GRP”) prepared by the City, in order to meet the Subsidence District requirements pursuant to a contract entered into between the District and the City. As a participant in the City’s GRP, the District is currently using groundwater, 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 by the District in the future.

The issuance of additional bonds by the District in an undetermined amount may be necessary at some time in the future in order to develop surface water conversion infrastructure should the City require the District to convert to surface water and connect to the City’s water supply system. See “INVESTMENT CONSIDERATIONS—Future Debt.”

Wastewater Treatment

The District’s wastewater treatment facility consists of a 1,250,000 gallon per day (“gpd”) wastewater treatment plant. The District has entered into a Waste Disposal Agreement with Harris County Municipal Utility District No. 205 (“No. 205”) under which No. 205 has purchased 259,978 gpd of wastewater treatment capacity from the District and Harris County Municipal Utility District No. 399 (“No. 399”) has purchased 194,228 gpd of wastewater capacity from the District. No. 205 has the option to purchase up to a total of 453,600 gpd of capacity and No. 399 has an option to purchase up to a total of 389,000 gpd of capacity. According to the District’s Engineer, after taking into account the wastewater capacity sold to No. 205 and No. 399, the District has wastewater capacity sufficient to serve 2,948 equivalent single-family connections, and is currently serving 2,482 equivalent single-family connections. A portion of the proceeds from the Bonds will be expended to finance the construction and engineering costs associated with the improvements to the wastewater treatment plant. See “—Use and Distribution of Bond Proceeds” herein.

100-Year Flood Plain

“Flood Insurance Rate Map” or “FIRM” means an official map of a community on which the Federal Emergency Management Agency (“FEMA”) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The “100-year flood plain” (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. According to the District Engineer, no developable land within the District lies within the 100-year flood plain designation. Stormwater sewers and drainage facilities have been constructed to provide required drainage for the District. See “INVESTMENT CONSIDERATIONS—Extreme Weather Events.”

Use and Distribution of Bond Proceeds

The estimated use and distribution of Bond proceeds as approved by the Commission is set forth below. From the proceeds to be received from sale of the Bonds, \$3,520,000 is estimated to be required for certain construction costs, and \$540,000 is estimated to be required for non-construction costs, including \$152,250 of capitalized interest (nine (9) months estimated at 5.00%). To the extent surplus funds are available from the sale of the Bonds, such funds may be expended for any lawful purpose for which surplus construction funds may be used with approval of the Commission.

CONSTRUCTION COSTS	
Wastewater Treatment Plant Upgrades Shortfall.....	\$ 1,700,000
Water Plant No. 2 Electrical Upgrades.....	1,000,000
Engineering.....	550,000
Contingencies.....	<u>270,000</u>
TOTAL CONSTRUCTION COST.....	\$ 3,520,000
NON-CONSTRUCTION COSTS	
Legal Fees.....	\$ 81,200
Financial Advisor Fees.....	73,400
Capitalized Interest (Nine (9) Months Estimated at 5.00%) (a).....	152,250
Bond Discount (Estimated at 3.00%) (a).....	121,800
Bond Issuance Expenses.....	47,140
Bond Application Report Cost.....	50,000
Attorney General Fee.....	4,060
TCEQ Bond Issuance Fee.....	<u>10,150</u>
TOTAL NON-CONSTRUCTION COST.....	\$ 540,000
TOTAL BOND ISSUE.....	\$ 4,060,000

(a) In its order authorizing the issuance of the Bonds, the Commission approved a maximum Bond Discount of 3.00% and nine (9) months of capitalized interest at an estimated interest rate of 5.00%. Calculations of capitalized interest shown elsewhere in this Official Statement are calculated at an estimated interest rate of 4.50%.

In the event approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses in accordance with the rules of the Commission. In the event actual costs exceed previously approved estimated amounts and contingencies, additional Commission approval and the issuance of additional bonds may be required.

WATER AND SEWER OPERATIONS

General

The Bonds and the Outstanding Bonds are payable solely from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Nevertheless, net revenues from operations of the District's water and wastewater system, if any, are available for any legal purpose, including the payment of debt service on the Outstanding Bonds and the Bonds, upon Board action. However, it is not anticipated that net revenues will be used or would be sufficient to pay debt service on the Bonds or the Outstanding Bonds.

Waterworks and Sewer System Operating Statement

The following statement sets forth in condensed form the General Fund as derived from the District's audited financial statements for the fiscal years ended June 30, 2022 through 2025, and an unaudited summary for the seven-month period ended January 31, 2026, provided by the District's bookkeeper. Reference is made to "APPENDIX A—Independent Auditor's Report and Financial Statements" for further and complete information.

	7/1/2025 to 1/31/2026 (a)	Fiscal Year Ended June 30			
		2025	2024	2023	2022
Revenues					
Property Taxes	\$ 189,418	\$ 1,013,496	\$ 776,785	\$ 1,013,802	\$ 900,101
City of Houston Rebates	163,203	283,113	261,677	248,763	276,649
Water Service	421,142	569,709	469,395	489,887	319,757
Sewer Service	395,832	471,554	336,457	348,262	175,207
Surface Water Conversion	527,969	609,069	259,583	277,744	244,519
Penalty and Interest	11,462	24,548	18,783	16,226	8,086
Tap Connection and Inspection Fees	44,684	181,725	188,846	128,431	204,594
Investment Income	46,365	90,990	130,285	95,056	4,371
Other Income	12,320	11,170	10,046	8,817	5,819
Total Revenues	\$ 1,812,395	\$ 3,255,374	\$ 2,451,857	\$ 2,626,988	\$ 2,139,103
Expenditures					
Purchased Services	\$ 543,733	\$ 788,431	\$ 853,934	\$ 774,136	\$ 688,192
Regional Water Fee	405,881	707,754	695,814	353,822	237,220
Professional Fees	85,949	148,592	183,506	156,596	176,855
Contracted Services	60,156	549,482	505,052	425,136	395,158
Utilities	41,784	81,983	81,929	64,541	59,489
Repairs and Maintenance	241,461	685,135	364,252	256,517	232,488
Other Expenditures	350,720	136,630	121,208	92,877	96,599
Tap Connections	-	46,399	60,497	47,959	62,675
Capital Outlay	147,120	97,107	623,113 (d)	34,271	499,435 (e)
Debt Issuance Costs	-	6,190	-	31,518	42,566
Total Expenditures	\$ 1,876,804	\$ 3,247,703	\$ 3,489,305	\$ 2,237,373	\$ 2,490,677
Revenues Over (Under) Expenditures	\$ (64,409)	\$ 7,671	\$ (1,037,448)	\$ 389,615	\$ (351,574)
Other Financing Sources (Uses)					
Interfund Transfers In (Out)	\$ -	\$ 435,017 (b)	\$ 31,518	\$ 516,973 (b)	\$ -
Insurance Proceeds	-	33,871 (c)	35,229 (c)	-	-
Fund Balance (Beginning of Year)	\$ 2,380,853	\$ 1,904,294	\$ 2,874,995	\$ 1,968,407	\$ 2,319,981
Fund Balance (End of Year)	\$ 2,316,444	\$ 2,380,853	\$ 1,904,294	\$ 2,874,995	\$ 1,968,407

(a) Unaudited, provided by District's bookkeeper.

(b) Represents reimbursement with proceeds from Outstanding Bonds related to sanitary sewer repairs and improvement and rehabilitation costs related to Water Plant No. 1 and Water Plant No. 2.

(c) Represents insurance claims related to water well motors at the District's facilities.

(d) Consists of expenditures related to sanitary sewer repairs and Water Plant No. 1 and Water Plant No. 2 rehabilitation.

(e) Consists of construction related to sanitary sewer repairs, Water Plant No. 1, well no. 3, sanitary sewer extension and water line relocation.

FINANCIAL STATEMENT

2025 Certified Taxable Assessed Valuation.....	\$411,591,706 (a)
The Outstanding Bonds	\$17,675,000
Plus: The Bonds	<u>4,060,000</u>
Gross Debt Outstanding	\$21,735,000
Ratio of Gross Direct Debt to:	
2025 Certified Taxable Assessed Valuation.....	5.28%

Area of District – 527 Acres
Estimated 2026 Population – 4,932 (b)

- (a) As certified by the Harris Central Appraisal District (the “Appraisal District”). See “TAXING PROCEDURES.”
(b) Based upon 3.5 persons per occupied single-family residence and 2.0 persons per apartment and townhouse unit.

Cash and Investment Balances as of February 2, 2026

Capital Projects Fund	Cash and Investments	\$7,966,605
Debt Service Fund	Cash and Investments	\$ 834,700 (a)
Operating Fund	Cash and Investments	\$2,081,121

- (a) In addition to the balance shown, nine (9) months of interest will be capitalized from Bond proceeds and deposited to the Debt Service Fund. Neither the Bond Order nor Texas law requires the District to maintain any particular balance in such fund.

Investments of the District

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code. The District's goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. Funds of the District are invested in short-term obligations of the U.S. Treasury and federal agencies, certificates of deposit insured by the Federal Deposit Insurance Corporation (“FDIC”) or secured by collateral evidenced by perfected safekeeping receipts held by a third-party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own or intend to purchase long-term securities or derivative products.

Outstanding Bonds

Series	Original Principal Amount	Principal Amount Outstanding
2019 (a)	\$ 2,725,000	\$ 1,065,000
2022	6,360,000	6,360,000
2023	<u>10,250,000</u>	<u>10,250,000</u>
	\$ 19,335,000	\$ 17,675,000

- (a) Unlimited tax refunding bonds.

ESTIMATED OVERLAPPING DEBT STATEMENT

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas or other publicly available information. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance, and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

Estimated Overlapping Debt

<u>Taxing Jurisdiction</u>	<u>Outstanding Bonds</u>	<u>As of</u>	<u>Overlapping</u>	
			<u>Percent</u>	<u>Amount</u>
Spring Independent School District.....	\$ 1,300,200,000	1/31/2025	2.14%	\$ 27,824,280
Harris County.....	2,257,734,736	1/31/2025	0.06%	1,354,641
Harris County Flood Control District.....	937,165,000	1/31/2025	0.06%	562,299
Harris County Hospital District.....	867,820,000	1/31/2025	0.06%	520,692
Harris County Department of Education.....	28,960,000	1/31/2025	0.06%	17,376
Lone Star College System.....	434,530,000	1/31/2025	0.12%	521,436
Port of Houston Authority.....	386,074,397	1/31/2025	0.06%	231,645
Total Estimated Overlapping Debt.....				\$ 31,032,368
The District's Total Direct Debt (a).....				21,735,000
Total Direct and Estimated Overlapping Debt.....				\$ 52,767,368
Direct and Estimated Overlapping Debt as a Percentage of:				
2025 Certified Taxable Assessed Valuation of \$411,591,706				12.82%

(a) Includes the Bonds and the Outstanding Bonds.

Overlapping Taxes for 2025

	<u>2025 Tax Rate per \$100 of Taxable Assessed Valuation</u>
Harris County (including Harris County Flood Control District, Harris County Hospital District, Harris County Department of Education, and the Port of Houston Authority).....	\$ 0.628928
Spring Independent School District.....	1.136900
Harris County ESD No. 11.....	0.038078
Harris County ESD No. 17.....	0.100000
Lone Star College System.....	0.106000
Total Overlapping Tax Rate.....	\$ 2.009906
The District (a).....	0.620000
Total Tax Rate.....	\$ 2.629906

(a) See "TAX DATA—Tax Rate Distribution."

TAX DATA

Tax Collections

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

Tax Year	Certified Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of January 31, 2026 (a)	
				Amount	Percent
2020	\$ 264,801,754	\$ 0.375	\$ 993,007	\$ 990,868	99.78%
2021	277,705,719	0.450	1,249,676	1,248,887	99.94%
2022	328,987,786	0.450	1,480,445	1,478,972	99.90%
2023	375,443,418	0.500	1,877,217	1,872,166	99.73%
2024	392,439,662	0.560	2,197,662	2,184,844	99.42%
2025	411,591,706	0.620	2,551,869	(b)	(b)

(a) Unaudited.

(b) In process of collection. Taxes for 2025 were due by January 31, 2026.

Tax Rate Distribution

	2025	2024	2023	2022	2021
Debt Service	\$0.32	\$0.30	\$0.28	\$0.15	\$0.13
Maintenance and Operations	0.30	0.26	0.22	0.30	0.32
Total	\$0.62	\$0.56	\$0.50	\$0.45	\$0.45

Tax Rate Limitations

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

Maintenance and Operations: \$1.00 per \$100 assessed valuation.

Debt Service Tax

The Board will covenant in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax which, when added to other funds legally available to the District for payment of outstanding debt obligations, is adequate to provide funds to pay the principal of and interest on the Bonds. The District levied a debt service tax for 2025 in the amount of \$0.32 per \$100 assessed valuation.

Maintenance and Operations 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 and operations tax is authorized by a vote of the District's electors. On April 9, 1980, voters in the District authorized the Board to levy such a maintenance and operations tax in an amount not to exceed \$1.00 per \$100 taxable assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Outstanding Bonds, the Bonds and any additional tax bonds which may be issued in the future. The District levied a maintenance and operations tax for 2025 in the amount of \$0.30 per \$100 assessed valuation.

Tax Exemptions

As discussed in the section titled "TAXING PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. For 2026, the District has adopted an exemption of \$10,000 of the appraised value of a residential homestead of persons who are disabled or 65 years of age or older and a 20% homestead exemption for any residential homesteads in the District.

Additional Penalties

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

Principal Taxpayers

The following table represents the principal taxpayers, the type of property, the taxable assessed value of such property and such property's certified taxable assessed value as a percentage of the 2025 Certified Taxable Assessed Valuation of \$411,591,706, which represents certified ownership as of January 1, 2025.

<u>Taxpayer</u>	<u>Type of Property</u>	2025 <u>Certified Taxable Assessed Valuation</u>	% of <u>Certified Tax Roll</u>
15330 Ella Blvd. DE Holding LLC	Land and Improvements	\$ 21,175,585	5.84%
Rama Venetian Apartments LLC	Land and Improvements	20,099,753	5.54%
LSF GTP Houston LLC	Land and Improvements	17,324,842	4.78%
Amerco Real Estate Co	Land and Improvements	15,088,463	4.16%
15215 Blue Ash 1031E LLC	Land and Improvements	13,419,432	3.70%
PTCAA Texas LP	Land, Improvements and Personal	13,209,061	3.64%
250 Pennbright LP	Land and Improvements	12,643,046	3.49%
Houston Leased Housing Associates IV LP	Land and Improvements	12,482,510	3.44%
BDS IV TX Eagles Landing LLC	Land and Improvements	11,084,865	3.06%
15455 Houston DST	Land and Improvements	10,731,769	2.96%
		<u>\$ 147,259,326</u>	<u>40.62%</u>

Summary of Assessed Valuation

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate (see "TAXING PROCEDURES—Valuation of Property for Taxation"). The following represents the composition of property comprising the 2021 through 2025 Certified Taxable Assessed Valuations.

	2025 <u>Certified Taxable Assessed Valuation</u>	2024 <u>Certified Taxable Assessed Valuation</u>	2023 <u>Certified Taxable Assessed Valuation</u>	2022 <u>Certified Taxable Assessed Valuation</u>	2021 <u>Certified Taxable Assessed Valuation</u>
Land	\$ 109,854,314	\$ 108,210,558	\$ 100,960,209	\$ 90,168,591	\$ 86,905,457
Improvements	269,771,661	254,287,031	250,696,578	223,008,777	175,025,105
Personal Property	71,058,393	59,679,723	59,510,088	48,756,559	40,838,905
Exemptions	<u>(39,092,662)</u>	<u>(29,737,650)</u>	<u>(35,723,457)</u>	<u>(32,946,141)</u>	<u>(25,063,748)</u>
Total	<u>\$ 411,591,706</u>	<u>\$ 392,439,662</u>	<u>\$ 375,443,418</u>	<u>\$ 328,987,786</u>	<u>\$ 277,705,719</u>

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 assessed valuation which would be required to meet average annual and maximum debt service requirements if no growth in the District's tax base occurred beyond the 2025 Certified Taxable Assessed Valuation of \$411,591,706. The calculations contained in the following table merely represent the tax rates required to pay principal and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "INVESTMENT CONSIDERATIONS—Factors Affecting Taxable Values and Tax Payments."

Average Annual Debt Service Requirement (2026-2051).....	\$1,404,254
\$0.36 Tax Rate on 2025 Certified Taxable Assessed Valuation at 95% collections	\$1,407,644
Maximum Annual Debt Service Requirement (2048).....	\$1,503,350
\$0.39 Tax Rate on 2025 Certified Taxable Assessed Valuation at 95% collections	\$1,524,947

TAXING PROCEDURES

Authority to Levy Taxes

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

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 of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Appraisal District has the responsibility for appraising property for all taxing units within Harris County, including the District. Such appraisal values are subject to review and change by the Harris County Appraisal Review Board (the "Appraisal Review Board").

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles.

Veterans Exemptions: The District must grant certain 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 of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% and the surviving spouse of such a veteran is entitled to an exemption for the full amount of the veteran's or surviving spouse's residential homestead. A partially disabled veteran or the surviving spouse of a partially disabled veteran is entitled to an exemption from taxation of a percentage of the appraised value of their residential homestead in an amount equal to the partially disabled veteran's disability rating if the residential homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces or a first responder as defined under Texas law, who was killed or fatally injured in the line of duty is, subject to certain conditions, entitled to a total tax exemption on such surviving spouse's residential homestead. If the surviving spouse changes homesteads, but does not remarry, then the amount of the exemption as of the last year of the first qualifying residential homestead is applicable to subsequent homesteads.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption by each Participant may be considered each year, but must be adopted by May 1. For the 2026 tax year, the District has granted a 20% general residential homestead exemption.

Additional Homestead Exemptions: The District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair its obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District.

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

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 upon 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.

Tax Abatement

The City of Houston and Harris County may designate all or part of the District as a reinvestment zone, and the District, Harris County, and (if it were to annex the area) the City of Houston may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. According to the District’s Tax Assessor/Collector, to date, none of the area within the District has been designated as a reinvestment zone.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code.

Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. In November 1997, Texas voters approved a constitutional amendment to limit increases in the appraised value of residence homesteads to ten percent (10%) annually regardless of the market value of the property. The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its 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. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use, open space land and timberland.

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

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

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a petition for review in district court within 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 comply with the Property Tax Code. The District may challenge the level of appraisal of a certain category of property, the exclusion of property from the appraisal rolls or the grant, in whole or in part, of an exemption. The District may not, however, protest a valuation of any individual property.

The Property Tax Code sets further notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda which could result in the repeal of certain tax increases. 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.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence

homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code, as amended, classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as “Special Taxing Units.” Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as “Developed Districts.” Districts that do not meet either of the classifications previously discussed can be classified herein as “Developing Districts.” The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. 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, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

Developed Districts

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

Developing Districts

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

The District

A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. The District was designated as a “Developing District” for the 2025 tax year. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "ESTIMATED OVERLAPPING DEBT STATEMENT—Overlapping Taxes for 2025." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

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

Delinquent Tax Payments for Disaster Areas

Effective January 1, 2020, the prior process that gave local taxing jurisdictions the option to request a reappraisal following a disaster was repealed and replaced with a mandatory temporary property tax exemption for qualified property that is in a Governor declared disaster area and at least 15% physically damaged. Qualified property includes tangible personal property, improvements to real property, and manufactured homes. Eligible individuals must apply within a specified time frame and, if the disaster occurs after taxes are levied, the taxing unit must act to authorize the exemption. The amount of the exemption is determined by the percentage level of damage and is prorated based on the date of the disaster. The Appraisal District must perform a damage assessment and assign a percentage rating to determine the amount of the exemption. Any exemption granted under the new provisions expires the first year the property is reappraised.

The Property Tax Code (hereinafter defined) 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.

In addition, under the Texas Tax Code, solely at the District's discretion, quarterly payments of ad valorem taxes on all taxable personal property of a business that lost money during a declared disaster or emergency regardless of whether the property was directly damaged as a result of the disaster or emergency are allowed.

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the Outstanding Bonds, and the estimated debt service requirements for the Bonds at an assumed interest rate of 4.50%. This schedule does not reflect the fact that nine (9) months of interest will be capitalized from Bond proceeds to pay debt service on the Bonds. See “THE SYSTEM—Use and Distribution of Bond Proceeds.”

Year	Outstanding Bonds Debt Service Requirements	Plus: Debt Service on the Bonds			Total Debt Service Requirements
		Principal	Interest	Total	
2026	\$ 1,258,397		\$ 91,858	\$ 91,858	\$ 1,350,254
2027	1,244,391		182,700	182,700	1,427,091
2028	1,259,181		182,700	182,700	1,441,881
2029	1,243,394		182,700	182,700	1,426,094
2030	1,227,931	\$ 50,000	181,575	231,575	1,459,506
2031	1,182,325	80,000	178,650	258,650	1,440,975
2032	1,168,869	85,000	174,938	259,938	1,428,806
2033	1,157,356	85,000	171,113	256,113	1,413,469
2034	1,169,756	90,000	167,175	257,175	1,426,931
2035	1,180,350	95,000	163,013	258,013	1,438,363
2036	1,189,278	100,000	158,625	258,625	1,447,903
2037	1,201,394	105,000	154,013	259,013	1,460,406
2038	1,182,244	110,000	149,175	259,175	1,441,419
2039	1,191,797	115,000	144,113	259,113	1,450,909
2040	1,194,475	125,000	138,713	263,713	1,458,188
2041	1,200,497	130,000	132,975	262,975	1,463,472
2042	1,204,516	135,000	127,013	262,013	1,466,528
2043	1,205,969	140,000	120,825	260,825	1,466,794
2044	1,205,069	150,000	114,300	264,300	1,469,369
2045	1,226,750	155,000	107,438	262,438	1,489,188
2046	1,221,013	165,000	100,238	265,238	1,486,250
2047	1,217,594	175,000	92,588	267,588	1,485,181
2048	1,238,750	180,000	84,600	264,600	1,503,350
2049	1,230,000	190,000	76,275	266,275	1,496,275
2050	-	800,000	54,000	854,000	854,000
2051	-	800,000	18,000	818,000	818,000
Total	\$ 29,001,294	\$ 4,060,000	\$ 3,449,308	\$ 7,509,308	\$ 36,510,601

Maximum Annual Debt Service Requirement (2048).....\$1,503,350
Average Annual Debt Service Requirements (2026-2051)\$1,404,254

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and not obligations of the State of Texas, Harris County, the City of Houston, or any other political entity other than the District, will be secured by a continuing direct, annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property within the District. The ultimate security for payment of the principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District cannot and does not make any representations that over the life of the Bonds the taxable property within the District will accumulate or maintain taxable values sufficient to generate property taxes to pay debt service at current levels.

Dependence on Principal Taxpayers

The ten principal taxpayers represent \$147,259,326 or approximately 35.78% of the 2025 Certified Taxable Assessed Valuation of \$411,591,706 which represents certified ownership as of January 1, 2025. See “TAX DATA—Principal Taxpayers.” The ability of any principal taxpayer to make full and timely payments of taxes levied against its property by the District will directly affect the District’s ability to meet its debt service obligations. If, for any reason, any one or more principal taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to levy a higher tax rate or use other available funds for debt service purposes. However, the District has not covenanted in the Bond Order, nor is it required by Texas law, to maintain any particular balance in its Debt Service Fund or any other funds to allow for any such delinquencies. Therefore, failure by one or more principal taxpayers to pay their taxes on a timely basis in amounts in excess of the District’s available funds could have a material adverse effect upon the District’s ability to pay debt service on the Bonds on a current basis.

Certain Tax Exemptions Provided for Affordable Housing

A significant portion of the District’s tax base is comprised of multi-family residential developments. Certain multi-family housing may be exempt from ad valorem taxation by the District pursuant to Chapter 303 of the Texas Local Government Code (the “PFC Act”), Chapter 392 of the Texas Local Government Code (the “Housing Authority Act”), or Chapter 394 of the Texas Local Government Code (the “HFC Act”), if certain conditions are met.

The PFC Act authorizes cities, counties, school districts, housing authorities and special districts (a “Sponsor”) to create a sponsored Public Facility Corporation (“PFC”) to acquire, construct, rehabilitate, renovate, repair, equip, furnish and place in service public facilities. These activities may be financed through certain obligations of either the Sponsor or the PFC. Under the PFC Act, a “public facility” includes any real, personal, or mixed property, or an interest in property devoted or to be devoted to public use, and authorized to be financed under the PFC Act. A public facility, including a leasehold estate in a public facility, that is owned by a PFC is exempt from taxation by the State or a municipality or other political subdivision of the State, including the District. This exemption applies to both ad valorem and sales taxes levied by such taxing authorities. Subject to certain restrictions, a leasehold or other possessory interest granted by the PFC to the user of a PFC-owned multi-family residential development entitles that user to this same exemption. A PFC project approved on or after June 18, 2023, does not qualify for an exemption with respect to taxes imposed by a conservation and reclamation district providing water, sewer, or drainage services to the development, unless an agreement is entered into with the district concerning payments in lieu of taxation. Projects for which PFC or Sponsor approval was received prior to the effective date of H.B. 2071 are governed by the prior law and are not subject to the same requirements. The District is not aware of any public property located within the boundaries of the District that is owned by a PFC.

The HFC Act provides for the formation of housing finance corporations (“HFCs”) by municipalities and counties for the purpose of providing decent, safe, and sanitary housing at affordable prices to residents of local governments. Public property owned by an HFC, including property for which an HFC holds an equitable interest, is exempt from taxes imposed by the state or any political subdivision of the state, including conservation and reclamation districts such as the District, provided certain conditions are met under the HFC Act. This exemption applies to both ad valorem and sales taxes levied by taxing authorities where the qualified project is located. Section 394.904(d) (as added by H.B. 21, 89th Texas Legislature, Regular Session) provides in part that, for property acquired by an HFC after May 28, 2025, such ad valorem tax exemptions do not apply to taxes levied by a conservation or reclamation district created under Section 52, Article III, or Section 59, Article XVI, Texas Constitution, that provides water, sewer, or drainage service to the multifamily residential development owned by the HFC, unless the applicable HFC has entered into a written agreement with the district to make a payment to the district in lieu of taxation, in the amount specified in the agreement. Further, property acquired by an HFC prior to May 28, 2025, may become subject to taxation by a conservation and reclamation district in future tax years unless certain additional requirements are met under the HFC Act. The District is not aware of any public property located within the boundaries of the District that is owned by an HFC.

The Housing Authority Act authorizes cities and counties to create housing authorities to provide safe and sanitary housing for persons of low income within the area of operation of the housing authority. Multi-family property owned by a housing authority, including property for which a housing authority holds an equitable interest, is exempt from all taxes and special assessments of a city, county, the state, or another political subdivision, including conservation and reclamation districts such as the District, if certain conditions are met under the Housing Authority Act. The District is not aware of any public property located within the boundaries of the District that is owned by an HFC.

Landowner Obligation to the District

There are no commitments from or obligations of any other landowner to the District to proceed at any particular rate or according to any specified plan with the development of land or the construction of improvements in the District, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed tracts of land could restrict the rate of growth of taxable values in the District. The District cannot and does not make any representations that over the life of the Bonds the District will increase or maintain its taxable value.

Economic Factors

The maintenance of taxable values in the District is directly related to the local housing and building industry. The housing/building industry has historically been a cyclical industry, affected by both short and long-term interest rates, availability of mortgage and development funds, labor conditions and general economic conditions. A return of relatively high mortgage interest rates may adversely affect the availability and desirability of mortgage financing for new homes, hence reducing demand by homebuilders for lots within the District. Commercial building in the District could also be adversely affected by such economic developments.

The availability of mortgage and development funds have a direct impact on construction and building activity, particularly the short-term interest rates at which developers and builders are able to obtain financing for development or building costs. Interest rate levels may affect the developers' or builders' ability to complete development or building plans. Long-term interest rates affect home purchasers ability to qualify for and afford the total financing costs of a new home. The return of long-term interest rates at higher levels may negatively affect home sales and therefore taxable value in the District.

The Houston metropolitan area has, during the past, experienced economic downturns (especially during periods of relatively low oil and natural gas prices). These factors could affect the demand for residential homes and commercial development and hence the maintenance of property values or the maintenance of property values in the District. An oversupply of homes, along with a decreased demand in new housing because of general economic conditions or relatively high interest rates, could have an adverse impact on sale prices for homes and, consequently, could materially adversely affect property values or, in some instances, cause builders to abandon home building plans altogether.

Potential Effects of Oil Price Fluctuations on the Houston Area

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

Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their ad valorem taxes. The 2025 Certified Taxable Assessed Valuation of the District is \$411,591,706. See "FINANCIAL STATEMENT." After issuance of the Bonds, the maximum annual debt service requirement will be \$1,503,350 (2048) and the average annual debt service requirement will be \$1,404,254 (2026-2051). Assuming no increase or decrease from the 2025 Certified Taxable Assessed Valuation and no use of funds other than tax collections, a tax rate of \$0.39 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of \$1,503,350 and a tax rate of \$0.36 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of \$1,404,254. See "DEBT SERVICE REQUIREMENTS." Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds and the Outstanding Bonds based upon the 2025 Certified Taxable Assessed Valuation, the District can make no representations regarding the future level of assessed valuation within the District. Increases in the tax rate may be required in the event major taxpayers do not pay their District taxes timely. See "TAX DATA—Tax Adequacy for Debt Service" and "TAXING PROCEDURES."

Extreme Weather Events

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

The greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015, including Hurricane Beryl, which made landfall along the Texas Gulf Coast on July 8, 2024, and brought high levels of wind and rainfall to the Houston metropolitan area, including the District. According to the District’s Engineer, there were no interruptions of water and sewer service as a result of Hurricane Beryl. According to District’s Engineer, the District’s system did not sustain any material damage from Hurricane Beryl. The District did not receive reports that any homes or improvements within the District experienced structural flooding or other significant damage as a result of Hurricane Beryl. See “THE SYSTEM.”

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 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.

Specific Flood Type Risks

The District may be subject to the following flood risks:

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

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

Coastal (or Storm Surge) Flooding: Coastal, or storm surge, flooding occurs when sea levels or water levels in estuarial rivers, bayous and channels rise to abnormal levels in coastal areas, over and above the regular astronomical tide, caused by forces generated from a severe storm’s wind, waves, and low atmospheric pressure. Storm surge is extremely dangerous, because it is capable of flooding large swaths of coastal property and causing catastrophic destruction. This type of flooding may be exacerbated when storm surge coincides with a normal high tide.

Tax Collections Limitations and Foreclosure Remedies

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 local 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 limiting the proceeds from a foreclosure sale of such property, (d) adverse effects on marketability from a taxpayer’s limited right to redeem its foreclosed property, (e) sale or transfer of personal property to bona fide purchasers, or (f) insufficient foreclosure proceeds to satisfy the tax liens of all state and local taxing authorities with parity liens on the property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see “ESTIMATED OVERLAPPING DEBT STATEMENT—Overlapping Taxes for 2025”), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers’ right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other 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. Attorney’s fees and other costs of collecting any such taxpayer’s delinquencies could substantially reduce the net proceeds to the net proceeds to the District from a tax foreclosure sale. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor’s confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

Registered Owners' Remedies and Bankruptcy Limitations

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

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. Specifically, the District may voluntarily file a petition for protection from creditors under the federal bankruptcy laws. During the pendency of the bankruptcy proceedings, the remedy of mandamus would not be available to the Registered Owners unless authorized by a federal bankruptcy judge.

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

Notwithstanding noncompliance by a district with Texas law requirements, the District could file a voluntary bankruptcy petition under Chapter 9, thereby invoking the protection of the automatic stay until the bankruptcy court, after a hearing, dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in making the decision of whether to grant the petitioning District relief from its creditors. While such a decision might be appealable, the concomitant delay and loss of remedies to the Registered Owner could potentially and adversely impair the value of the Registered Owner's claim.

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

A district may not be forced into bankruptcy involuntarily.

Future Debt

Following issuance of the Bonds, the District will have \$6,310,000 principal amount of authorized but unissued unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and \$22,275,000 of unlimited tax refunding bonds authorized but unissued. See "THE BONDS—Issuance of Additional Debt." The issuance of such future obligations may increase the District's tax rate and adversely affect the investment security of the Bonds. The District does not employ any formula with regard to taxable assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board of the District and any bonds issued to acquire or construct water, sanitary sewer and drainage facilities must be approved by the Commission.

It is anticipated that additional bonds will be issued in the future to finance the costs of facilities to serve the undeveloped acreage within the District, applicable regulatory requirements, required wastewater treatment plant capacity, if any, and/or required water plant capacity, if any. After issuance of the Bonds, the remaining authorization of \$6,310,000 may be insufficient to finance the costs of such future facilities, to reimburse any developers for such facilities in connection with the full development of the District or for future System capacity needs. At this time, the District has not determined the timing of any future bond elections or the aggregate principal amount of additional bonds that may be required. The District can make no representation that any additional development will occur within the District or that voters will authorize the issuance of any additional bonds at a future election. The District may also issue system revenue bonds without an election.

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 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) (“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.

Marketability of the Bonds

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

Continuing Compliance with Certain Covenants

Failure of the District to comply with certain covenants contained in the Bond Order on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactive to the date of original issuance. See “TAX MATTERS—Tax Exemption.”

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. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed, pending or future legislation.

Risk Factors Related to the Purchase of Municipal Bond Insurance

The District has applied for a bond insurance policy (the "Policy") to guarantee the scheduled payment of principal and interest on the Bonds. If the Policy is issued, investors should be aware of the following investment considerations that relate to bond insurance.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Insurer and its claim paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Insurer and of the ratings on the Bonds insured by the Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See description of "MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE."

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

Neither the District nor the Initial Purchaser has made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE AND MUNICIPAL BOND INSURANCE" for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

Approval of the Bonds

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

Atlas 14

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the District. The application of such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

Cybersecurity

The District's consultants use digital technologies to collect taxes, hold funds and process disbursements. These systems necessarily hold sensitive protected information that is valued on the black market. As a result, the electronic systems and networks of organizations like the District's consultants are considered targets for cyber-attacks and other potential breaches of their systems. To the extent the District is determined to be the party responsible for various electronic systems or suffers a loss of funds due to a security breach, there could be a material adverse effect on the District's finances. Insurance to protect against such breaches is limited.

Increase in Costs of Building Materials and Labor Shortages

As a result of low supply and high demand, shipping constraints, and ongoing trade disputes (including tariffs and retaliatory tariffs), there have been substantial increases in the cost of lumber and other materials, causing many homebuilders and general contractors to experience budget overruns. Further, the federal administration's unpredictable tariff policy (including the threatened impositions of tariffs) may impact the ability of the developer or homebuilders in the District to estimate costs. The federal administration's immigration policies may additionally impact the State's workforce, particularly in construction. Mass deportations or immigration policies that make it challenging for foreign workers to work in the United States may result in labor shortages that impact the developer's ability to construct utility facilities and a homebuilder's ability to construct homes within the District. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact existing values. The District makes no representations regarding the probability of development or homebuilding continuing in a timely manner or the effects that current or future economic or governmental circumstances may have on any plans of the developer or any home builder.

LEGAL MATTERS

Legal Opinions

The District will furnish the Initial Purchaser a transcript of certain certified proceedings held incident to the authorization and issuance of the Bonds, including (i) a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and binding obligations of the District payable from an annual ad valorem tax levied without limit as to rate or amount upon all taxable property in the District and (ii) based upon the examination of such transcript, the legal opinion of Bond Counsel to the effect that the Bonds are valid and binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel's opinion will also address the matters described below under "TAX MATTERS—Tax Exemption." Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds.

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

In addition to serving as Bond Counsel, Norton Rose Fulbright US LLP also acts as general counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of Bonds actually issued, sold and delivered, and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

No Material Adverse Change

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

No-Litigation Certificate

With the delivery of the Bonds, the President and Secretary of the Board will, on behalf of the District, execute a certificate, dated as of the date of delivery of the Bonds, to the effect that no litigation of any nature is then pending against or, to the best knowledge of the certifying officers, threatened against the District contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority of proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District, or the titles of the then present officers of the Board.

TAX MATTERS

Tax Exemption

The delivery of the Bonds is subject to the opinion of Bond Counsel to the effect that interest on the Bonds for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "Code"), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the District made in a certificate dated the Date of Delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the District with the provisions of the Bond Order subsequent to the issuance of the Bonds. The Bond Order contains covenants by the District with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage “profits” from the investment of proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Bond Counsel’s opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (the “IRS”) with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel’s opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the District as the “taxpayer,” and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust (“FASIT”), and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

For taxable years beginning after 2022, the Code imposes a minimum tax of 15 percent of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than \$1 billion in average annual adjusted financial statement income, determined over a three-year period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on 41 the taxpayer’s applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the Bonds. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Bonds.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Tax Accounting Treatment of Discount and Premium on Certain Bonds

The initial public offering price of certain Bonds (the “Discount Bonds”) may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Bonds described herein under “—Tax Exemption.” Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed

to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such 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 Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain Bonds (the “Premium Bonds”) may be greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

Not Qualified Tax-Exempt Obligations for Financial Institutions

The District will not designate the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Code, as amended.

MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE

S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) has assigned an underlying rating of “A-” to the Bonds. An explanation of the rating may be obtained from S&P. The rating fees of S&P will be paid by the District; however, the fees associated with any other rating will be the responsibility of the Initial Purchaser.

Application has also been made for the qualification of the Bonds for municipal bond insurance. If qualified, such insurance will be available at the option of the Initial Purchaser and at the Initial Purchaser’s expense. The rating fees of S&P will be paid by the District; any other rating fees associated with the insurance will be the responsibility of the Initial Purchaser. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance.”

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

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

The offer and sale of the Bonds have not been registered or qualified under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder; the Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction.

The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was rendered by _____ (the "Initial Purchaser") bearing the interest rates shown on the cover page of this Official Statement, 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 (the "IBA" method).

Prices and Marketability of the Bonds

The prices and other terms with respect to the offering and the sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Initial Purchaser may over-allocate or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of municipal 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, which are more generally bought, sold or traded in the secondary market.

Securities Laws

No registration statement relating to the offer and sale of the Bonds has been filed with the United States Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

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

"THE SYSTEM" (as related to District facilities)—Engineer; "FINANCIAL STATEMENT" and "TAX DATA"—Harris Central Appraisal District and Wheeler & Associates, Inc.; "ESTIMATED OVERLAPPING DEBT STATEMENT"—the Municipal Advisory Council of Texas.

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

Consultants

In approving this Official Statement, the District has relied upon the following consultants in addition to the Financial Advisor.

Engineer: Certain information related to the District's System and certain other information included in the sections entitled "THE DISTRICT" and "THE SYSTEM" have been provided by Vogler & Spencer Engineering, Inc., the District's consulting engineer, and have been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

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

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

Auditor: The financial statements of the District as of June 30, 2025 and for the year then ended, included in this offering document, have been audited by Forvis Mazars, LLP, independent auditors, as stated in their report appearing herein. See "APPENDIX A."

Bookkeeper: The information related to the unaudited summary of the District's General Operating Fund as it appears in "WATER AND SEWER OPERATIONS" has been provided from records of District Data Services and is included herein in reliance upon the authority of such firm as experts in the tracking and managing the various funds of municipal utility districts.

Updating of Official Statement

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

Certification of Official Statement

The District, acting through its Board in its official capacity and in reliance upon the experts listed above, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading. With respect to information included in this Official Statement other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide at least annually to the MSRB certain financial information and operating data which is customarily prepared by the District and is publicly available. The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "THE SYSTEM," "WATER AND SEWER OPERATIONS," "FINANCIAL STATEMENT," "TAX DATA," and in APPENDIX A (INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS OF THE DISTRICT). The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2026. The District will provide the updated information to the MSRB or any

successor to its functions as a repository through EMMA system. Any information concerning the District so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report of the District is not complete within such period, then the District shall provide unaudited financial statements for the applicable entity and fiscal year to the MSRB via EMMA within such six-month period, and audited financial statements when the audit report becomes available.

The District's current fiscal year end is June 30. Accordingly, it must provide updated information by December 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, the District will notify the MSRB via EMMA of the change (and of the date of the new fiscal year end) prior to the next date by which the District otherwise would be required to provide financial information and operating data pursuant to the Bond Order.

Event Notices

The District will notify the MSRB via EMMA, in a timely manner not in excess of 10 business days, of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws:

- 1) Principal and interest payment delinquencies;
- 2) Non-payment related defaults, if material;
- 3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- 4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- 5) Substitution of credit or liquidity providers, or their failure to perform;
- 6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax status of the Bonds;
- 7) Modifications to rights of Registered 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, which shall occur as described below;
- 13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of 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; and
- 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 obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and
- 16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the obligated person, any of which reflect financial difficulties.

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 make any provisions for debt service reserves, liquidity enhancement, the pledge of property (other than ad valorem tax revenues) to secure payment of the Bonds, or appointment of a trustee. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "—Annual Reports."

For these purposes, (a) any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the District in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District, and (b) the District intends the words used in the immediately preceding paragraphs (15) and (16) and the definition of "Financial Obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

The District shall notify the MSRB via EMMA, in a timely manner, of any failure by the District to provide financial information or operating data in accordance with the Bond Order.

Availability of Information from the MSRB

The District has agreed to provide the foregoing information only to the MSRB. Investors can access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

The District shall be obligated to observe and perform the covenants specified in the Bond Order for so long as, but only for so long as, the District remains an “obligated person” with respect to the Bonds within the meaning of the Rule, except that the District in any event will give the notice required by the Bond Order of any Bond calls and defeasance that cause the District to be no longer such an “obligated person.”

The provisions of the Bond Order are for the sole benefit of the Registered Owners and beneficial owners of the Bonds, and nothing in this Bond Order, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The District undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to the Bond Order and does not undertake to provide any other information that may be relevant or material to a complete presentation of the District’s financial results, condition, or prospects or thereby undertake to update any information, except as expressly provided in the Bond Order. The District does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE DISTRICT BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE DISTRICT, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THE BOND ORDER, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

No default by the District in observing or performing its obligations under this Bond Order shall constitute a breach of or default under the Bond Order for purposes of any other provision of the Bond Order.

Nothing in the Bond Order is intended or shall act to disclaim, waive, or otherwise limit the duties of the District under federal and state securities laws.

The provisions of the Bond Order may be amended by the District from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations or businesses of the District, but only if (1) the provisions of the Bond Order, as so amended, would have permitted an underwriter to purchase or sell Bonds in a primary offering of the Bonds in compliance with the Rule, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the Outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. If the District so amends the provisions of the Bond Order, the District shall include with any amended financial information or operating data next provided in accordance with the Bond Order an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided. The District may also repeal or amend the provisions of the Bond Order if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the District also may amend the provisions of the Bond Order in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in a primary offering of the Bonds.

Compliance With Prior Undertakings

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

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 189, as of the date shown on the cover page.

/s/ _____
President, Board of Directors

ATTEST:

/s/ _____
Secretary, Board of Directors

AERIAL PHOTOGRAPH

(Approximate boundaries as of January 2026)

**HARRIS COUNTY MUNICIPAL
UTILITY DISTRICT No. 189**



RICHEY RD

NORTH FREEWAY

KUYKENDAHL RD

PHOTOGRAPHS

The following photographs were taken in the District in January 2026 solely to illustrate the type of improvements existing in the District. The District cannot predict if additional improvements will be constructed in the future.













APPENDIX A


Independent Auditor's Report and Financial Statements for the fiscal year ended June 30, 2025



**Harris County Municipal
Utility District No. 189
Harris County, Texas**

**Independent Auditor's Report, Financial Statements,
and Supplementary Information**

June 30, 2025



Harris County Municipal Utility District No. 189
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June 30, 2025

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Independent Auditor's Report

Board of Directors
Harris County Municipal Utility District No. 189
Harris County, Texas

Opinions

We have audited the financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 189 (District), as of and for the year ended June 30, 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 accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of June 30, 2025, and the respective changes in financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 these 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 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from

error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 budgetary comparison schedules, as listed in the table of contents, 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 GAAS, 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 accompanying schedules required by the Texas Commission on Environmental Quality listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Forvis Mazars, LLP

Houston, Texas
December 11, 2025

**Harris County Municipal Utility District No. 189
Management's Discussion and Analysis
Year Ended June 30, 2025**

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains supplementary information required by the Governmental Accounting Standards Board and by the District's state oversight agency, the Texas Commission on Environmental Quality (Commission).

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities that engage in a single governmental program, such as the provision of water, sanitary sewer, and drainage services. Other activities, such as the provision of recreation facilities and solid waste collection, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements, and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets, liabilities, and deferred inflows and outflows of resources of the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's assets, liabilities, and deferred inflows and outflows of resources is labeled as net position, and this difference is similar to the total stockholders' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period, and expenses are recorded even though they may not have used cash during the current year.

Although the statement of activities looks different from a commercial enterprise's statement of income, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as change in net position, essentially the same thing.

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. Except for the general fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations.

**Harris County Municipal Utility District No. 189
 Management’s Discussion and Analysis
 Year Ended June 30, 2025**

Governmental Funds

Governmental-fund financial statements consist of a balance sheet and a statement of revenues, expenditures, and changes in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time but do not include capital assets such as land and water, sewer, and drainage systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund’s assets, liabilities, and deferred inflows and outflows of resources is labeled the fund balance and generally indicates the amount that can be used to finance the next fiscal year’s activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements is different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in the notes to financial statements that describes the adjustments to fund balances to arrive at net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in the notes to financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position, as reported in the governmental activities column in the statement of activities.

Notes to Financial Statements

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

Financial Analysis of the District as a Whole

The District’s overall financial position and activities for the past two years are summarized as follows, based on the information included in the government-wide financial statements:

Summary of Net Position

	<u>2025</u>	<u>2024</u>
Current and other assets	\$ 12,903,532	\$ 14,991,564
Capital assets	11,820,724	9,301,220
Total assets	24,724,256	24,292,784
Deferred outflows of resources	35,142	41,502
Total assets and deferred outflows of resources	<u>\$ 24,759,398</u>	<u>\$ 24,334,286</u>
Long-term liabilities	\$ 17,568,089	\$ 17,867,622
Other liabilities	1,055,664	916,615
Total liabilities	<u>18,623,753</u>	<u>18,784,237</u>

**Harris County Municipal Utility District No. 189
Management's Discussion and Analysis
Year Ended June 30, 2025**

Summary of Net Position (Continued)

	<u>2025</u>	<u>2024</u>
Net position		
Net investment in capital assets	\$ 1,357,509	\$ 2,032,535
Restricted	2,302,404	1,535,405
Unrestricted	<u>2,475,732</u>	<u>1,982,109</u>
Total net position	<u>\$ 6,135,645</u>	<u>\$ 5,550,049</u>

The total net position of the District increased by \$585,596, or about 11%. The majority of the increase in net position is related to property tax, City of Houston (City) rebates, and service revenues and other income exceeding service operations, depreciation, and interest and fees expenses. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Changes in Net Position

	<u>2025</u>	<u>2024</u>
Revenues		
Property taxes	\$ 2,165,094	\$ 1,856,078
City of Houston rebates	282,899	264,460
Charges for services	1,998,756	1,573,857
Other revenues	<u>913,163</u>	<u>804,845</u>
Total revenues	<u>5,359,912</u>	<u>4,499,240</u>
Expenses		
Services	3,464,728	3,305,784
Conveyance of capital assets	-	122,694
Depreciation	482,921	429,642
Debt service	<u>826,667</u>	<u>1,072,179</u>
Total expenses	<u>4,774,316</u>	<u>4,930,299</u>
Change in net position	585,596	(431,059)
Net position, beginning of year	<u>5,550,049</u>	<u>5,981,108</u>
Net position, end of year	<u>\$ 6,135,645</u>	<u>\$ 5,550,049</u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended June 30, 2025 were \$11,956,995, a decrease of \$2,210,318 from the prior year.

The general fund's fund balance increased by \$476,559 primarily due to a transfer from the capital projects fund related to reimbursement for capital expenditures in a prior year.

The special revenue fund's fund balance remained the same as all expenditures were billed to the participants.

**Harris County Municipal Utility District No. 189
 Management’s Discussion and Analysis
 Year Ended June 30, 2025**

The debt service fund’s fund balance increased by \$77,766 primarily due to property tax revenues exceeding bond principal and interest requirements.

The capital projects fund’s fund balance decreased by \$2,764,643 primarily due to capital outlay expenditures and a transfer to the general fund exceeding investment income.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to sewer service, surface water conversion, and tap connection and inspection fees revenues and purchased services, regional water fee, and repairs and maintenance expenditures being greater than anticipated. In addition, a transfer received from the capital projects fund and proceeds received from insurance were not included in the budget. The fund balance as of June 30, 2025 was expected to be \$1,904,294, and the actual end-of-year fund balance was \$2,380,853.

Capital Assets and Related Debt

Capital Assets

Capital assets held by the District at the end of the current and previous fiscal years are summarized below:

Capital Assets (Net of Accumulated Depreciation)

	<u>2025</u>	<u>2024</u>
Land and improvements	\$ 2,123,542	\$ 2,078,197
Construction in progress	2,633,295	761,821
Water facilities	3,812,647	3,677,430
Wastewater facilities	<u>3,251,240</u>	<u>2,783,772</u>
 Total capital assets	 <u>\$ 11,820,724</u>	 <u>\$ 9,301,220</u>

During the current year, additions to capital assets were as follows:

Construction in progress related to well motor rehabilitation, ground storage tank addition, and electrical improvements at water plant No. 1, and the surface water transmission line	\$ 2,222,283
Wastewater treatment plant expansion including land purchase	261,370
New lift pumps and motors at the sewage treatment facility	136,860
Water plant Nos. 1 and 2 ground storage tank recoating and rehabilitation	<u>381,912</u>
 Total additions to capital assets	 <u>\$ 3,002,425</u>

Developers within the District have constructed facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues or available funds subject to the approval of the Commission. As of June 30, 2025, a liability for developer-constructed capital assets of \$158,783 was recorded in the government-wide financial statements.

**Harris County Municipal Utility District No. 189
Management’s Discussion and Analysis
Year Ended June 30, 2025**

Debt

The changes in the debt position of the District during the fiscal year ended June 30, 2025 are summarized as follows:

Long-term debt payable, beginning of year	\$ 17,867,622
Decreases in long-term debt	<u>299,533</u>
Long-term debt payable, end of year	<u>\$ 17,568,089</u>

At June 30, 2025, the District had \$10,370,000 of unlimited tax bonds authorized, but unissued, for the purpose of acquiring, constructing, and improving the water, sanitary sewer, and drainage systems within the District.

The District’s bonds carry an underlying rating of “A-“ from Standard & Poor’s. The Series 2019 refunding bonds also carry a “AA” rating from Standard & Poor’s by virtue of bond insurance issued by Assured Guaranty, Inc. The Series 2022 and 2023 bonds also carry a “AA” rating from Standard & Poor’s by virtue of bond insurance issued by Build America Mutual Assurance Company.

Other Relevant Factors

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City, the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City without the District’s consent, except as set forth below.

Strategic Partnership Agreement

Effective April 9, 2007, the District and the City entered into a Strategic Partnership Agreement under which the City annexed a tract of land within the boundaries of the District for limited purposes. The City agrees it will not annex the District for full purposes or commence any action to annex the District during the term of the agreement, which is 30 years.

Harris County Municipal Utility District No. 189
Statement of Net Position and Governmental Funds Balance Sheet
June 30, 2025

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets							
Cash	\$ 265,935	\$ 209,508	\$ 180,803	\$ 2,573	\$ 658,819	\$ -	\$ 658,819
Short-term investments	2,383,613	-	1,064,290	8,314,745	11,762,648	-	11,762,648
Receivables							
Property taxes	33,339	-	36,056	-	69,395	-	69,395
Service accounts	229,152	-	-	-	229,152	-	229,152
Tax rebates	48,796	-	-	-	48,796	22,809	71,605
Interfund receivables	564	-	34,288	-	34,852	(34,852)	-
Due from participants	-	108,242	-	-	108,242	-	108,242
Due from others	3,671	-	-	-	3,671	-	3,671
Capital assets (net of accumulated depreciation)							
Land and improvements	-	-	-	-	-	2,123,542	2,123,542
Construction in progress	-	-	-	-	-	2,633,295	2,633,295
Infrastructure	-	-	-	-	-	7,063,887	7,063,887
Total Assets	<u>2,965,070</u>	<u>317,750</u>	<u>1,315,437</u>	<u>8,317,318</u>	<u>12,915,575</u>	<u>11,808,681</u>	<u>24,724,256</u>
Deferred Outflows of Resources							
Deferred amount on debt refundings	-	-	-	-	-	35,142	35,142
Total Assets and Deferred Outflows of Resources	<u>\$ 2,965,070</u>	<u>\$ 317,750</u>	<u>\$ 1,315,437</u>	<u>\$ 8,317,318</u>	<u>\$ 12,915,575</u>	<u>\$ 11,843,823</u>	<u>\$ 24,759,398</u>

Harris County Municipal Utility District No. 189
Statement of Net Position and Governmental Funds Balance Sheet
June 30, 2025

(Continued)

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Liabilities							
Accounts payable	\$ 298,488	\$ 190,403	\$ 10,991	\$ 1,660	\$ 501,542	\$ -	\$ 501,542
Retainage payable	-	-	-	134,689	134,689	-	134,689
Accrued interest payable	-	-	-	-	-	201,331	201,331
Customer deposits	208,741	-	-	-	208,741	-	208,741
Due to others	9,361	-	-	-	9,361	-	9,361
Interfund payables	34,288	564	-	-	34,852	(34,852)	-
Long-term liabilities							
Due within one year	-	-	-	-	-	465,000	465,000
Due after one year	-	-	-	-	-	17,103,089	17,103,089
Total Liabilities	550,878	190,967	10,991	136,349	889,185	17,734,568	18,623,753
Deferred Inflows of Resources							
Deferred property tax revenues	33,339	-	36,056	-	69,395	(69,395)	-
Fund Balances/Net Position							
Fund balances							
Restricted							
Unlimited tax bonds	-	-	1,268,390	-	1,268,390	(1,268,390)	-
Water, sewer, and drainage	-	-	-	8,180,969	8,180,969	(8,180,969)	-
Committed, wastewater collection and treatment	-	126,783	-	-	126,783	(126,783)	-
Unassigned	2,380,853	-	-	-	2,380,853	(2,380,853)	-
Total fund balances	2,380,853	126,783	1,268,390	8,180,969	11,956,995	(11,956,995)	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,965,070	\$ 317,750	\$ 1,315,437	\$ 8,317,318	\$ 12,915,575		
Net position							
Net investment in capital assets						1,357,509	1,357,509
Restricted for plant operations						126,783	126,783
Restricted for debt service						1,103,115	1,103,115
Restricted for capital projects						1,072,506	1,072,506
Unrestricted						2,475,732	2,475,732
Total net position						\$ 6,135,645	\$ 6,135,645

Harris County Municipal Utility District No. 189
Statement of Activities and Governmental Funds Revenues
Expenditures, and Changes in Fund Balances
Year Ended June 30, 2025

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues							
Property taxes	\$ 1,013,496	\$ -	\$ 1,170,397	\$ -	\$ 2,183,893	\$ (18,799)	\$ 2,165,094
City of Houston rebates	283,113	-	-	-	283,113	(214)	282,899
Water service	569,709	-	-	-	569,709	-	569,709
Sewer service	471,554	-	-	-	471,554	-	471,554
Surface water conversion	609,069	-	-	-	609,069	-	609,069
Service to other districts	-	1,207,215	-	-	1,207,215	(858,791)	348,424
Penalty and interest	24,548	-	53,653	-	78,201	-	78,201
Tap connection and inspection fees	181,725	-	-	-	181,725	-	181,725
Investment income	90,990	7	44,382	472,817	608,196	-	608,196
Other income	11,170	-	-	-	11,170	33,871	45,041
Total Revenues	3,255,374	1,207,222	1,268,432	472,817	6,203,845	(843,933)	5,359,912
Expenditures/Expenses							
Service operations							
Purchased services	788,431	-	-	-	788,431	(788,431)	-
Regional water fee	707,754	-	-	-	707,754	-	707,754
Professional fees	148,592	39,742	15,118	-	203,452	6,015	209,467
Contracted services	549,482	29,469	54,116	-	633,067	-	633,067
Utilities	81,983	100,317	-	-	182,300	-	182,300
Repairs and maintenance	685,135	801,889	-	-	1,487,024	14,377	1,501,401
Other expenditures	136,630	41,877	5,532	301	184,340	-	184,340
Tap connections	46,399	-	-	-	46,399	-	46,399
Capital outlay	97,107	193,928	-	2,802,142	3,093,177	(3,093,177)	-
Depreciation	-	-	-	-	-	482,921	482,921
Debt service							
Principal retirement	-	-	300,000	-	300,000	(300,000)	-
Interest and fees	-	-	815,900	-	815,900	4,577	820,477
Debt issuance costs	6,190	-	-	-	6,190	-	6,190
Total Expenditures/Expenses	3,247,703	1,207,222	1,190,666	2,802,443	8,448,034	(3,673,718)	4,774,316
Excess (Deficiency) of Revenues Over Expenditures	7,671	-	77,766	(2,329,626)	(2,244,189)	2,829,785	
Other Financing Sources (Uses)							
Interfund transfers in (out)	435,017	-	-	(435,017)	-	-	-
Proceeds from insurance	33,871	-	-	-	33,871	(33,871)	-
Total Other Financing Sources (Uses)	468,888	-	-	(435,017)	33,871	(33,871)	
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	476,559	-	77,766	(2,764,643)	(2,210,318)	2,210,318	
Change in Net Position						585,596	585,596
Fund Balances/Net Position							
Beginning of year	1,904,294	126,783	1,190,624	10,945,612	14,167,313	-	5,550,049
End of year	\$ 2,380,853	\$ 126,783	\$ 1,268,390	\$ 8,180,969	\$ 11,956,995	\$ -	\$ 6,135,645

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Harris County Municipal Utility District No. 189 (District) was created by an order of the Texas Water Rights Commission, now known as the Texas Commission on Environmental Quality (Commission), effective November 13, 1979, 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 (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 following is a summary of the significant accounting and reporting policies of the District:

Reporting Entity

The accompanying government-wide financial statements present the financial statements of the District. There are no component units that are legally separate entities for that the District is considered to be financially accountable. Accountability is defined as the District's substantive appointment of the voting majority of the component unit's governing board. Furthermore, to be financially accountable, the District must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to, or impose specific financial burdens on, the District.

Government-Wide and Fund Financial Statements

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, wastewater, drainage, and other related services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented with a column for adjustments to convert to the government-wide financial statements.

The government-wide financial statements report information on all of the activities of the District. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities generally are financed through taxes, charges for services, and intergovernmental revenues. The statement of activities reflects the revenues and expenses of the District.

The fund financial statements provide information about the District's governmental funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is directed to specific activities of the District.

The District presents the following major governmental funds:

General Fund – The general fund is the primary operating fund of the District, which accounts for all financial resources not accounted for in another fund. Revenues are derived primarily from property taxes, charges for services, and interest income.

Special Revenue Fund – Accounts 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.

Harris County Municipal Utility District No. 189
Notes to Financial Statements
June 30, 2025

Debt Service Fund – The debt service fund is used to account for financial resources that are restricted, committed, or assigned to expenditures for principal and interest related costs, as well as the financial resources being accumulated for future debt service.

Capital Projects Fund – The capital projects fund is used to account for financial resources that are restricted, committed, or assigned to expenditures for capital outlays.

Fund Balances – Governmental Funds

The fund balances for the District's governmental funds can be displayed in up to five components:

Nonspendable – Amounts that are not in a spendable form or are required to be maintained intact.

Restricted – Amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed – Amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the District's Board.

Assigned – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned – The residual classification for the general fund and includes all amounts not contained in the other classifications.

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance are available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Nonexchange transactions, in which the District receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes are levied. Donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as liabilities. Intergovernmental revenues are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted.

Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental funds revenues, expenditures, and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures, and proceeds of long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The District considers revenues reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, charges for services, and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

Deferred Outflows and Inflows of Resources

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period, and a deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

Interfund Transactions

Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay the amount and if there is the ability to repay the advance on a timely basis. Transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Pension Costs

The District does not participate in a pension plan and, therefore, has no pension costs.

Use of 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 amounts of assets, liabilities, and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Investments and Investment Income

Investments in certificates of deposit, U.S. Government and agency securities, and certain pooled funds, which have a remaining maturity of one year or less at the date of purchase, are recorded at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market values.

Investment income includes dividends and interest income and the net change for the year in the fair value of investments carried at fair value. Investment income is credited to the fund in which the investment is recorded.

Property Taxes

An appraisal district annually prepares appraisal records listing all property within the District and the appraised value of each parcel or item as of January 1. Additionally, on January 1, a tax lien attaches to property to secure the payment of all taxes and penalty and interest ultimately imposed for the year on the property. After the District receives its certified appraisal roll from the appraisal district, the rate of taxation is set by the Board of the District based upon the aggregate appraisal value. Taxes are due and payable October 1 or when billed, whichever is later, and become delinquent after January 31 of the following year.

Harris County Municipal Utility District No. 189
Notes to Financial Statements
June 30, 2025

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended June 30, 2025 include collections during the current period or within 60 days of year-end related to the 2024 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended June 30, 2025, the 2024 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of \$5,000 or more and an estimated useful life of two years or more. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives is not capitalized.

Within Harris County, the county government assumes the maintenance and other incidents of ownership of most storm sewer facilities constructed by the District. Accordingly, these assets are not recorded in the financial statements of the District.

Capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

Water production and distribution facilities	10–45 years
Wastewater collection and treatment facilities	10–45 years

Debt Issuance Costs

Debt issuance costs, other than prepaid insurance, do not meet the definition of an asset or deferred outflows of resources since the costs are not applicable to a future period and, therefore, are recognized as an expense/expenditure in the period incurred.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Premiums and discounts on bonds are recognized as a component of long-term liabilities and amortized over the life of the related debt using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position/Fund Balances

Fund balances and net position are reported as restricted when constraints placed on them are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

Harris County Municipal Utility District No. 189
Notes to Financial Statements
June 30, 2025

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

Reconciliation of Government-Wide and Fund Financial Statements

Amounts reported for net position of governmental activities in the statement of net position and fund balances in the governmental funds balance sheet are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 11,820,724
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	69,395
Receivable for tax rebates is not available in the current period and is not reported in the funds.	22,809
Deferred amount on debt refundings for governmental activities is not considered financial resources and is not reported in the funds.	35,142
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(201,331)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(17,568,089)</u>
Adjustment to fund balances to arrive at net position.	<u><u>\$ (5,821,350)</u></u>

Amounts reported for change in net position of governmental activities in the statement of activities are different from change in fund balances in the governmental funds statement of revenues, expenditures, and changes in fund balances because:

Change in fund balances.	\$ (2,210,318)
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation expense and noncapitalized costs in the current period.	2,519,504
Governmental funds report principal payments on debt as expenditures. These transactions, however, do not have any effect on net position.	300,000
Revenues collected in the current period, which have previously been reported as revenues in the statement of activities, are reported as revenues for the governmental funds.	(19,013)

Harris County Municipal Utility District No. 189
Notes to Financial Statements
June 30, 2025

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

\$ (4,577)

Change in net position of governmental activities.

\$ 585,596

Note 2. Deposits, Investments, and Investment Income

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, a government’s deposits may not be returned to it. The District’s deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; a surety bond; bonds and other obligations of the U.S. Treasury, U.S. agencies, or instrumentalities of the State of Texas; or certain collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.

At June 30, 2025, none of the District’s bank balances were exposed to custodial credit risk.

Investments

The District may legally invest in obligations of the United States or its agencies and instrumentalities, direct obligations of Texas or its agencies or instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, other obligations guaranteed as to principal and interest by the State of Texas or the United States or their agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, obligations of states, agencies, and counties and other political subdivisions with an investment rating not less than “A,” insured or collateralized certificates of deposit, and certain bankers’ acceptances, repurchase agreements, mutual funds, commercial paper, guaranteed investment contracts, and investment pools.

The District’s investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in TexPool, an external investment pool that is not registered with the Securities and Exchange Commission. The State Comptroller of Public Accounts of the State of Texas has oversight of TexPool. The District’s investments in TexPool are reported at amortized cost.

At June 30, 2025, the District had the following investments and maturities:

Type	Maturities in Years				
	Amortized Cost	Less Than 1	1–5	6–10	More Than 10
TexPool	<u>\$ 11,762,648</u>	<u>\$ 11,762,648</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District’s investment policy does not allow investments in certain mortgage-backed securities, collateralized mortgage obligations with a final maturity date in excess of 10 years, and interest rate indexed collateralized

Harris County Municipal Utility District No. 189
Notes to Financial Statements
June 30, 2025

mortgage obligations. The external investment pool is presented as an investment with a maturity of less than one year because it is redeemable in full immediately.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2025, the District's investments in TexPool were rated "AAAm" by Standard & Poor's.

Summary of Carrying Values

The carrying values of deposits and investments shown previously are included in the balance sheet and statement of net position at June 30, 2025 as follows:

Carrying value	
Deposits	\$ 658,819
Investments	<u>11,762,648</u>
Total	<u><u>\$ 12,421,467</u></u>

Investment Income

Investment income of \$608,196 for the year ended June 30, 2025 consisted of interest income.

Note 3. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2025 is presented below:

<u>Governmental Activities</u>	<u>Balances, Beginning of Year</u>	<u>Additions</u>	<u>Reclassifi- cations</u>	<u>Balances, End of Year</u>
Capital assets, non-depreciable				
Land and improvements	\$ 2,078,197	\$ 45,345	\$ -	\$ 2,123,542
Construction in progress	<u>761,821</u>	<u>2,222,283</u>	<u>(350,809)</u>	<u>2,633,295</u>
Total capital assets, non-depreciable	<u>2,840,018</u>	<u>2,267,628</u>	<u>(350,809)</u>	<u>4,756,837</u>
Capital assets, depreciable				
Water production and distribution facilities	7,581,830	381,912	13,095	7,976,837
Wastewater collection and treatment facilities	<u>6,606,541</u>	<u>352,885</u>	<u>337,714</u>	<u>7,297,140</u>
Total capital assets, depreciable	<u>14,188,371</u>	<u>734,797</u>	<u>350,809</u>	<u>15,273,977</u>
Less accumulated depreciation				
Water production and distribution facilities	(3,904,400)	(259,790)	-	(4,164,190)
Wastewater collection and treatment facilities	<u>(3,822,769)</u>	<u>(223,131)</u>	<u>-</u>	<u>(4,045,900)</u>
Total accumulated depreciation	<u>(7,727,169)</u>	<u>(482,921)</u>	<u>-</u>	<u>(8,210,090)</u>
Total governmental activities, net	<u><u>\$ 9,301,220</u></u>	<u><u>\$ 2,519,504</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 11,820,724</u></u>

Harris County Municipal Utility District No. 189
Notes to Financial Statements
June 30, 2025

Note 4. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2025 were as follows:

<u>Governmental Activities</u>	<u>Balances, Beginning of Year</u>	<u>Decreases</u>	<u>Balances, End of Year</u>	<u>Amounts Due in One Year</u>
Bonds payable				
General obligation bonds	\$ 17,975,000	\$ 300,000	\$ 17,675,000	\$ 465,000
Add premiums on bonds	44,302	6,789	37,513	-
Less discounts on bonds	310,463	7,256	303,207	-
	<u>17,708,839</u>	<u>299,533</u>	<u>17,409,306</u>	<u>465,000</u>
Due to developers	158,783	-	158,783	-
	<u>17,708,839</u>	<u>299,533</u>	<u>17,409,306</u>	<u>465,000</u>
Total governmental activities long-term liabilities	<u>\$ 17,867,622</u>	<u>\$ 299,533</u>	<u>\$ 17,568,089</u>	<u>\$ 465,000</u>

General Obligation Bonds

	<u>Refunding Series 2019</u>	<u>Series 2022</u>
Amounts outstanding, June 30, 2025	\$1,065,000	\$6,360,000
Interest rates	3.00%	4.00% to 6.50%
Maturity dates, serially beginning/ending	April 1, 2026/2030	April 1, 2026/2047
Interest payment dates	April 1/October 1	April 1/October 1
Callable dates*	April 1, 2025	April 1, 2028
		<u>Series 2023</u>
Amount outstanding, June 30, 2025		\$10,250,000
Interest rates		4.125% to 6.625%
Maturity dates, serially beginning/ending		April 1, 2026/2049
Interest payment dates		April 1/October 1
Callable date*		April 1, 2030

*Or any date thereafter; callable at par plus accrued interest to the date of redemption.

Harris County Municipal Utility District No. 189
Notes to Financial Statements
June 30, 2025

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at June 30, 2025:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 465,000	\$ 805,326	\$ 1,270,326
2027	475,000	781,469	1,256,469
2028	515,000	757,312	1,272,312
2029	525,000	731,050	1,256,050
2030	535,000	705,738	1,240,738
2031–2035	2,750,000	3,167,375	5,917,375
2036–2040	3,505,000	2,529,068	6,034,068
2041–2045	4,450,000	1,692,093	6,142,093
2046–2049	4,455,000	559,525	5,014,525
Total	\$ 17,675,000	\$ 11,728,956	\$ 29,403,956

The bonds are payable from the proceeds of an ad valorem tax levied upon all property within the District subject to taxation, without limitation as to rate or amount.

Bonds voted	\$ 41,700,000
Bonds sold	31,330,000
Refunding bonds voted	25,000,000
Refunding bonds authorization used	2,725,000

Due to Developers

Developers of the District have constructed facilities on behalf of the District. The District's engineer estimates reimbursable costs for completed projects are \$158,783. The District has agreed to reimburse the developers for these construction costs, plus interest, to the extent approved by the Commission from the proceeds of future bond sales or other available funds. These amounts have been recorded in the financial statements as long-term liabilities.

Note 5. Significant Bond Order and Commission Requirements

- (A) The Bond Orders require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended June 30, 2025, the District levied an ad valorem debt service tax rate at the rate of \$0.3000 per \$100 of assessed valuation, which resulted in a tax levy of \$1,197,119 on the taxable valuation of \$399,040,148 for the 2024 tax year. The interest and principal requirements to be paid from the tax revenues are \$1,109,825, of which \$707,163 has been paid and \$402,662 is due October 1, 2025.
- (B) The Bond Orders state that so long as any of the bonds or coupons remain outstanding, the District covenants that it will at all times keep insured such parts of the system as are customarily insured by municipal corporations and political subdivisions in Texas operating like properties in similar locations under the same circumstances with a responsible insurance company or companies against risk, accidents or casualties against which and to the extent insurance is customarily carried by such municipal corporations and political subdivisions; provided, however, that at any time while any contractor engaged in construction work shall be fully responsible therefor, the District shall not be required to carry such insurance. At June 30, 2025, the District had real and personal property insurance coverage in the

Harris County Municipal Utility District No. 189
Notes to Financial Statements
June 30, 2025

amount of \$22,332,000, boiler and machinery coverage in the amount of \$22,332,000, general liability insurance with an aggregate limit of \$10,000,000, public officials' liability coverage with an aggregate limit of \$10,000,000, and pollution liability coverage with an aggregate limit of \$2,000,000.

- (C) In accordance with the Series 2023 Bond Order, a portion of the bond proceeds was deposited into the debt service fund and reserved for the payment of bond interest during the construction period. This bond interest reserve of \$217,832 was fully depleted in the current year.
- (D) During the current year, the District transferred \$435,017 from the capital projects fund to the general fund. The transfer was in accordance with the rules of the Commission.

Note 6. Maintenance Taxes

At an election held August 9, 1980, voters authorized a maintenance tax not to exceed \$1.00 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended June 30, 2025, the District levied an ad valorem maintenance tax at the rate of \$0.2600 per \$100 of assessed valuation, which resulted in a tax levy of \$1,037,503 on the taxable valuation of \$399,040,148 for the 2024 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 7. Contracts With Other Districts

Waste Disposal

On September 1, 1988, as periodically amended, the District entered into a contract with Harris County Municipal Utility District No. 205 (District No. 205) to provide for an expansion of the District's wastewater treatment plant and for wastewater treatment capacity for District No. 205. In prior years, District No. 205 purchased 249,798 gallons-per-day (gpd) capacity and certain improvements were subsequently made to increase the rated capacity of the plant and the contract was amended for District No. 205 to purchase an additional 10,000-gpd capacity.

On January 12, 2004, as periodically amended, the District contracted with Harris County Municipal Utility District No. 399 (District No. 399) to option the purchase by District No. 399 of up to 389,000-gpd capacity in the wastewater treatment plant. The initial purchase price of \$4.60 per gpd is subject to escalation by 6% per annum, the sooner of two years from the effective date of the agreement or the date of payment for the initial purchase of capacity. In prior years, District No. 399 purchased 194,228-gpd plant capacity.

Each participant's capacity and percent of ownership as of June 30, 2025 is shown as follows:

	<u>Capacity (gpd)</u>	<u>Percentage</u>
The District	795,974	63.70
District No. 205	259,798	20.80
District No. 399	<u>194,228</u>	<u>15.50</u>
Total	<u><u>1,250,000</u></u>	<u><u>100.00</u></u>

The District manages and operates the plant. The participants are billed monthly for fixed costs based on ownership and variable costs based on each participant's pro rata share of consumption. During the current year, District No. 205 was billed \$172,025, District No. 399 was billed \$246,759, and the District's share of the plant's operating costs was \$788,431.

Harris County Municipal Utility District No. 189
Notes to Financial Statements
June 30, 2025

The District's general fund has advanced approximately \$126,800 to the special revenue fund to establish a separate bank account and operating reserve for the plant.

Note 8. Groundwater Reduction Plan Agreement

The District has entered into a Groundwater Reduction Plan Agreement (GRPA) with the City of Houston (City), which provides for payment of groundwater pumpage fees by the District to the City from January 1, 2003. The District is within the boundaries of the Harris-Galveston Subsidence District (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. On April 14, 1999, the Subsidence District adopted a district regulatory plan (1999 Plan) to reduce groundwater withdrawal through the conversion to surface water in areas within the Subsidence District's jurisdiction. Under the 1999 Plan, the District was required to submit to the Subsidence District a groundwater reduction plan and begin construction of surface water conversion infrastructure by January 2005 or pay a disincentive fee for any groundwater withdrawn in excess of 20% of the District's total water demand. The GRPA between the District and the City was completed July 11, 2003 and fulfills the District's submittal requirements to the Subsidence District.

Note 9. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District participates along with other entities in the Texas Municipal League's Intergovernmental Risk Pool (Pool). The Pool purchases commercial insurance at group rates for participants in the Pool. The District has no additional risk or responsibility to the Pool, outside of payment of insurance premiums. The District has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts in the past three fiscal years.

Note 10. Strategic Partnership Agreement

Effective April 9, 2007, the District and the City entered into a Strategic Partnership Agreement (Agreement) under which the City annexed a tract of land (tract) within the boundaries of the District for limited purposes. The District continues to exercise all powers and functions of a municipal utility district as provided by law. As consideration for the District providing services as detailed in the Agreement, the City agrees to remit one-half of all City sales and use tax revenues generated within the boundaries of the tract. As consideration for the sales tax payments and the services provided by the City, the District agrees to continue to provide and develop water, sewer, and drainage services within the District in lieu of full-purpose annexation. The City agrees it will not annex the District for full purposes or commence any action to annex the District during the term of the Agreement, which is 30 years. During the current year, the District recorded \$282,899 in revenues related to the Agreement.

Required Supplementary Information

**Harris County Municipal Utility District No. 189
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2025**

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ 838,000	\$ 990,500	\$ 1,013,496	\$ 22,996
City of Houston rebates	250,000	250,000	283,113	33,113
Water service	470,000	470,000	569,709	99,709
Sewer service	330,000	330,000	471,554	141,554
Surface water conversion	300,000	300,000	609,069	309,069
Penalty and interest	13,000	13,000	24,548	11,548
Tap connection and inspection fees	27,000	27,000	181,725	154,725
Investment income	120,000	120,000	90,990	(29,010)
Other income	8,500	8,500	11,170	2,670
Total Revenues	2,356,500	2,509,000	3,255,374	746,374
Expenditures				
Service operations				
Purchased services	679,000	679,000	788,431	(109,431)
Regional water fee	450,000	450,000	707,754	(257,754)
Professional fees	188,000	188,000	148,592	39,408
Contracted services	534,000	534,000	549,482	(15,482)
Utilities	65,000	65,000	81,983	(16,983)
Repairs and maintenance	440,000	440,000	685,135	(245,135)
Other expenditures	143,000	143,000	136,630	6,370
Tap connections	10,000	10,000	46,399	(36,399)
Capital outlay	-	-	97,107	(97,107)
Debt service, debt issuance costs	-	-	6,190	(6,190)
Total Expenditures	2,509,000	2,509,000	3,247,703	(738,703)
Excess (Deficiency) of Revenues Over Expenditures	(152,500)	-	7,671	7,671
Other Financing Sources				
Interfund transfers in	-	-	435,017	435,017
Proceeds from insurance	-	-	33,871	33,871
Total Other Financing Sources	-	-	468,888	468,888
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(152,500)	-	476,559	476,559
Fund Balance, Beginning of Year	1,904,294	1,904,294	1,904,294	-
Fund Balance, End of Year	\$ 1,751,794	\$ 1,904,294	\$ 2,380,853	\$ 476,559

Harris County Municipal Utility District No. 189
Budgetary Comparison Schedule – Special Revenue Fund
Year Ended June 30, 2025

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Sewer service fees	\$ 1,065,500	\$ 1,207,215	\$ 141,715
Investment income	-	7	7
Total Revenues	<u>1,065,500</u>	<u>1,207,222</u>	<u>141,722</u>
Expenditures			
Service operations			
Professional fees	34,000	39,742	(5,742)
Contracted services	36,000	29,469	6,531
Utilities	110,000	100,317	9,683
Repairs and maintenance	845,000	801,889	43,111
Other expenditures	40,500	41,877	(1,377)
Capital outlay	-	193,928	(193,928)
Total Expenditures	<u>1,065,500</u>	<u>1,207,222</u>	<u>(141,722)</u>
Excess of Revenues Over Expenditures	-	-	-
Fund Balance, Beginning of Year	<u>126,783</u>	<u>126,783</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 126,783</u>	<u>\$ 126,783</u>	<u>\$ -</u>

Budgets and Budgetary Accounting

Annual operating budgets are prepared for the general and special revenue funds by the District's consultants. The budgets reflect resources expected to be received during the current year and expenditures expected to be incurred. The Board is required to adopt the budgets prior to the start of its fiscal year. The budgets are not a spending limitation (a legally restricted appropriation). The original budget of the general fund was amended and the original budget of the special revenue fund was not amended during fiscal 2025.

The District prepares its annual operating budgets on a basis consistent with accounting principles generally accepted in the United States of America. The Budgetary Comparison Schedules – 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.

Supplementary Information

Harris County Municipal Utility District No. 189
Other Schedules Included Within This Report
June 30, 2025

(Schedules included are checked or explanatory notes provided for omitted schedules.)

- [X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 11–21
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedules of Long-Term Debt Service Requirements by Years
- [X] Changes in Long-Term Bonded Debt
- [X] Comparative Schedules of Revenues and Expenditures – General Fund and Debt Service Fund –
Five Years
- [X] Board Members, Key Personnel, and Consultants

Harris County Municipal Utility District No. 189
Schedule of Services and Rates
Year Ended June 30, 2025

1. Services provided by the District

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

2. Retail service providers

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate Per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>	
Water:	\$ 22.00	3,000	N	\$ 1.50	3,001 to	10,000
				\$ 1.75	10,001 to	No Limit
Wastewater:	\$ 25.00	30,000	N	\$ 0.50	30,001	No Limit
Regional water fee:	\$ 4.07	1	N	\$ 4.07	1,001 to	No Limit
Does the District employ winter averaging for wastewater usage?					Yes	No <input checked="" type="checkbox"/>
Total charges per 10,000 gallons usage (including fees):				Water \$ 73.20	Wastewater \$	25.00

b. Water and wastewater retail connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC*</u>
Unmetered	-	-	x1.0	-
≤ 3/4"	290	286	x1.0	286
1"	46	43	x2.5	108
1 1/2"	12	9	x5.0	45
2"	45	45	x8.0	360
3"	2	2	x15.0	30
4"	11	11	x25.0	275
6"	8	8	x50.0	400
8"	3	3	x80.0	240
10"	-	-	x115.0	-
Total water	417	407		1,744
Total wastewater	388	378	x1.0	378

3. Total water consumption (in thousands) during the fiscal year

Gallons pumped into the system:	258,088
Gallons billed to customers:	223,159
Water accountability ratio (gallons billed/gallons pumped):	86.47%

*"ESFC" means equivalent single-family connections

Harris County Municipal Utility District No. 189
Schedule of General Fund Expenditures
Year Ended June 30, 2025

Personnel (including benefits)		\$	-
Professional Fees			
Auditing	\$	22,900	
Legal		59,934	
Engineering		65,758	
Financial advisor		-	148,592
		<u> -</u>	
Purchased Services for Resale			
Bulk water and wastewater service purchases			788,431
Regional Water Fee			707,754
Contracted Services			
Bookkeeping		25,242	
General manager		-	
Appraisal district		-	
Tax collector		-	
Security		433,560	
Other contracted services		90,680	549,482
		<u> -</u>	
Utilities			81,983
Repairs and Maintenance			685,135
Administrative Expenditures			
Directors' fees		17,017	
Office supplies		8,327	
Insurance		45,428	
Other administrative expenditures		65,858	136,630
		<u> -</u>	
Capital Outlay			
Capitalized assets		91,092	
Expenditures not capitalized		6,015	97,107
		<u> -</u>	
Tap Connection Expenditures			46,399
Solid Waste Disposal			-
Fire Fighting			-
Parks and Recreation			-
Other Expenditures			6,190
			<u> -</u>
Total Expenditures			<u><u> -</u></u> \$ 3,247,703

Harris County Municipal Utility District No. 189
Schedule of Temporary Investments
June 30, 2025

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Face Amount</u>	<u>Accrued Interest Receivable</u>
General Fund				
TexPool	4.35%	Demand	\$ 2,383,613	\$ -
Debt Service Fund				
TexPool	4.35%	Demand	1,064,290	-
Capital Projects Fund				
TexPool	4.35%	Demand	7,451,624	-
TexPool	4.35%	Demand	863,121	-
			<u>8,314,745</u>	<u>-</u>
Totals			<u>\$ 11,762,648</u>	<u>\$ -</u>

Harris County Municipal Utility District No. 189
Analysis of Taxes Levied and Receivable
Year Ended June 30, 2025

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>
Receivable, Beginning of Year	\$ 41,697	\$ 46,497
Additions and corrections to prior years' taxes	<u>(32,365)</u>	<u>(37,163)</u>
Adjusted Receivable, Beginning of Year	<u>9,332</u>	<u>9,334</u>
2024 Original Tax Levy	836,639	965,353
Additions and corrections	<u>200,864</u>	<u>231,766</u>
Adjusted tax levy	<u>1,037,503</u>	<u>1,197,119</u>
Total to Be Accounted For	1,046,835	1,206,453
Tax collections: Current year	(1,011,098)	(1,166,651)
Prior years	<u>(2,398)</u>	<u>(3,746)</u>
Receivable, End of Year	<u>\$ 33,339</u>	<u>\$ 36,056</u>
Receivable, by Years		
2024	\$ 26,405	\$ 30,468
2023	2,509	3,193
2022	1,049	524
2021	675	274
2020	1,397	742
2019	799	456
2018	<u>505</u>	<u>399</u>
Receivable, End of Year	<u>\$ 33,339</u>	<u>\$ 36,056</u>

**Harris County Municipal Utility District No. 189
 Analysis of Taxes Levied and Receivable
 Year Ended June 30, 2025**

(Continued)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Property Valuations				
Land	\$ 108,607,760	\$ 101,129,322	\$ 93,076,630	\$ 87,713,175
Improvements	260,382,138	263,006,241	233,251,976	182,020,824
Personal property	59,819,894	59,659,946	67,000,185	40,564,211
Exemptions	<u>(29,769,644)</u>	<u>(35,537,976)</u>	<u>(46,460,264)</u>	<u>(25,072,852)</u>
Total Property Valuations	<u><u>\$ 399,040,148</u></u>	<u><u>\$ 388,257,533</u></u>	<u><u>\$ 346,868,527</u></u>	<u><u>\$ 285,225,358</u></u>
Tax Rates Per \$100 Valuation				
Debt service tax rates	\$ 0.3000	\$ 0.2800	\$ 0.1500	\$ 0.1300
Maintenance tax rates*	<u>0.2600</u>	<u>0.2200</u>	<u>0.3000</u>	<u>0.3200</u>
Total Tax Rates Per \$100 Valuation	<u><u>\$ 0.5600</u></u>	<u><u>\$ 0.5000</u></u>	<u><u>\$ 0.4500</u></u>	<u><u>\$ 0.4500</u></u>
Tax Levy	<u><u>\$ 2,234,622</u></u>	<u><u>\$ 1,941,286</u></u>	<u><u>\$ 1,560,905</u></u>	<u><u>\$ 1,283,572</u></u>
Percent of Taxes Collected to Taxes Levied**	<u>97%</u>	<u>99%</u>	<u>99%</u>	<u>99%</u>

*Maximum tax rate approved by voters: \$1.00 on August 9, 1980

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

Harris County Municipal Utility District No. 189
Schedule of Long-Term Debt Service Requirements by Years
June 30, 2025

<u>Due During Fiscal Years Ending June 30</u>	<u>Refunding Series 2019</u>		
	<u>Principal Due April 1</u>	<u>Interest Due April 1, October 1</u>	<u>Total</u>
2026	\$ 190,000	\$ 31,950	\$ 221,950
2027	200,000	26,250	226,250
2028	215,000	20,250	235,250
2029	225,000	13,800	238,800
2030	235,000	7,050	242,050
Totals	<u>\$ 1,065,000</u>	<u>\$ 99,300</u>	<u>\$ 1,164,300</u>

Harris County Municipal Utility District No. 189
 Schedule of Long-Term Debt Service Requirements by Years
 June 30, 2025

(Continued)

Due During Fiscal Years Ending June 30	Series 2022		Total
	Principal Due April 1	Interest Due April 1, October 1	
2026	\$ 50,000	\$ 264,157	\$ 314,157
2027	50,000	260,906	310,906
2028	50,000	257,656	307,656
2029	50,000	254,406	304,406
2030	50,000	252,407	302,407
2031	265,000	250,406	515,406
2032	275,000	239,806	514,806
2033	285,000	228,806	513,806
2034	295,000	217,406	512,406
2035	305,000	205,607	510,607
2036	315,000	193,406	508,406
2037	330,000	180,806	510,806
2038	340,000	167,606	507,606
2039	355,000	154,006	509,006
2040	365,000	139,807	504,807
2041	380,000	125,206	505,206
2042	395,000	110,006	505,006
2043	410,000	93,713	503,713
2044	425,000	76,287	501,287
2045	440,000	58,225	498,225
2046	455,000	39,525	494,525
2047	475,000	20,188	495,188
Totals	\$ 6,360,000	\$ 3,790,344	\$ 10,150,344

Harris County Municipal Utility District No. 189
Schedule of Long-Term Debt Service Requirements by Years
June 30, 2025

(Continued)

<u>Due During Fiscal Years Ending June 30</u>	<u>Series 2023</u>		<u>Total</u>
	<u>Principal Due April 1</u>	<u>Interest Due April 1, October 1</u>	
2026	\$ 225,000	\$ 509,219	\$ 734,219
2027	225,000	494,313	719,313
2028	250,000	479,406	729,406
2029	250,000	462,844	712,844
2030	250,000	446,281	696,281
2031	250,000	429,719	679,719
2032	250,000	414,719	664,719
2033	250,000	404,406	654,406
2034	275,000	394,094	669,094
2035	300,000	382,406	682,406
2036	325,000	369,281	694,281
2037	350,000	355,062	705,062
2038	350,000	339,313	689,313
2039	375,000	323,562	698,562
2040	400,000	306,219	706,219
2041	425,000	287,719	712,719
2042	450,000	268,062	718,062
2043	475,000	247,250	722,250
2044	500,000	224,688	724,688
2045	550,000	200,937	750,937
2046	575,000	174,812	749,812
2047	600,000	147,500	747,500
2048	1,150,000	117,500	1,267,500
2049	1,200,000	60,000	1,260,000
Totals	<u>\$ 10,250,000</u>	<u>\$ 7,839,312</u>	<u>\$ 18,089,312</u>

Harris County Municipal Utility District No. 189
 Schedule of Long-Term Debt Service Requirements by Years
 June 30, 2025

(Continued)

Due During Fiscal Years Ending June 30	Annual Requirements For All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2026	\$ 465,000	\$ 805,326	\$ 1,270,326
2027	475,000	781,469	1,256,469
2028	515,000	757,312	1,272,312
2029	525,000	731,050	1,256,050
2030	535,000	705,738	1,240,738
2031	515,000	680,125	1,195,125
2032	525,000	654,525	1,179,525
2033	535,000	633,212	1,168,212
2034	570,000	611,500	1,181,500
2035	605,000	588,013	1,193,013
2036	640,000	562,687	1,202,687
2037	680,000	535,868	1,215,868
2038	690,000	506,919	1,196,919
2039	730,000	477,568	1,207,568
2040	765,000	446,026	1,211,026
2041	805,000	412,925	1,217,925
2042	845,000	378,068	1,223,068
2043	885,000	340,963	1,225,963
2044	925,000	300,975	1,225,975
2045	990,000	259,162	1,249,162
2046	1,030,000	214,337	1,244,337
2047	1,075,000	167,688	1,242,688
2048	1,150,000	117,500	1,267,500
2049	1,200,000	60,000	1,260,000
Totals	\$ 17,675,000	\$ 11,728,956	\$ 29,403,956

Harris County Municipal Utility District No. 189
Changes in Long-Term Bonded Debt
Year Ended June 30, 2025

	Bond Issues			Totals
	Refunding Series 2019	Series 2022	Series 2023	
Interest rates	3.00%	4.00% to 6.50%	4.125% to 6.625%	
Dates interest payable	April 1/ October 1	April 1/ October 1	April 1/ October 1	
Maturity dates	April 1, 2026/2030	April 1, 2026/2047	April 1, 2026/2049	
Bonds outstanding, beginning of current year	\$ 1,365,000	\$ 6,360,000	\$ 10,250,000	\$ 17,975,000
Retirements, principal	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>300,000</u>
Bonds outstanding, end of current year	<u>\$ 1,065,000</u>	<u>\$ 6,360,000</u>	<u>\$ 10,250,000</u>	<u>\$ 17,675,000</u>
Interest paid during current year	<u>\$ 40,950</u>	<u>\$ 264,156</u>	<u>\$ 509,219</u>	<u>\$ 814,325</u>
Paying agent's name and address				
Series 2019	– The Bank of New York Mellon Trust Company, N.A., Houston, Texas			
Series 2022	– The Bank of New York Mellon Trust Company, N.A., Houston, Texas			
Series 2023	– The Bank of New York Mellon Trust Company, N.A., Houston, Texas			
Bond authority				
	Tax Bonds	Other Bonds	Refunding Bonds	
Amount authorized by voters	\$ 41,700,000	\$ -	\$ 25,000,000	
Amount issued	\$ 31,330,000	\$ -	\$ 2,725,000	
Remaining to be issued	<u>\$ 10,370,000</u>	<u>\$ -</u>	<u>\$ 22,275,000</u>	
Debt service fund cash and temporary investment balances as of June 30, 2025:			<u>\$ 1,245,093</u>	
Average annual debt service payment (principal and interest) for remaining term of all debt:			<u>\$ 1,225,165</u>	

Harris County Municipal Utility District No. 189
Comparative Schedule of Revenues and Expenditures – General Fund
Five Years Ended June 30,

	Amounts				
	2025	2024	2023	2022	2021
General Fund					
Revenues					
Property taxes	\$ 1,013,496	\$ 776,785	\$ 1,013,802	\$ 900,101	\$ 634,375
City of Houston rebates	283,113	261,677	248,763	276,649	253,142
Water service	569,709	469,395	489,887	319,757	310,437
Sewer service	471,554	336,457	348,262	175,207	177,855
Surface water conversion	609,069	259,583	277,744	244,519	222,304
Penalty and interest	24,548	18,783	16,226	8,086	6,848
Tap connection and inspection fees	181,725	188,846	128,431	204,594	167,113
Investment income	90,990	130,285	95,056	4,371	2,981
Other income	11,170	10,046	8,817	5,819	6,350
Total Revenues	<u>3,255,374</u>	<u>2,451,857</u>	<u>2,626,988</u>	<u>2,139,103</u>	<u>1,781,405</u>
Expenditures					
Service operations					
Purchased services	788,431	853,934	774,136	688,192	500,117
Regional water fee	707,754	695,814	353,822	237,220	226,230
Professional fees	148,592	183,506	156,596	176,855	206,307
Contracted services	549,482	505,052	425,136	395,158	368,137
Utilities	81,983	81,929	64,541	59,489	77,784
Repairs and maintenance	685,135	364,252	256,517	232,488	261,251
Other expenditures	136,630	121,208	92,877	96,599	79,754
Tap connections	46,399	60,497	47,959	62,675	71,105
Capital outlay	97,107	623,113	34,271	499,435	927,339
Debt service, debt issuance costs	6,190	-	31,518	42,566	26,748
Total Expenditures	<u>3,247,703</u>	<u>3,489,305</u>	<u>2,237,373</u>	<u>2,490,677</u>	<u>2,744,772</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>7,671</u>	<u>(1,037,448)</u>	<u>389,615</u>	<u>(351,574)</u>	<u>(963,367)</u>
Other Financing Sources					
Interfund transfers in	435,017	31,518	516,973	-	-
Proceeds from insurance	33,871	35,229	-	-	-
Total Other Financing Sources	<u>468,888</u>	<u>66,747</u>	<u>516,973</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>476,559</u>	<u>(970,701)</u>	<u>906,588</u>	<u>(351,574)</u>	<u>(963,367)</u>
Fund Balance, Beginning of Year	<u>1,904,294</u>	<u>2,874,995</u>	<u>1,968,407</u>	<u>2,319,981</u>	<u>3,283,348</u>
Fund Balance, End of Year	<u>\$ 2,380,853</u>	<u>\$ 1,904,294</u>	<u>\$ 2,874,995</u>	<u>\$ 1,968,407</u>	<u>\$ 2,319,981</u>
Total Active Retail Water Connections	<u>407</u>	<u>408</u>	<u>404</u>	<u>404</u>	<u>370</u>
Total Active Retail Wastewater Connections	<u>378</u>	<u>389</u>	<u>385</u>	<u>386</u>	<u>353</u>

Percent of Fund Total Revenues

<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
31.1 %	31.7 %	38.6 %	42.1 %	35.6 %
8.7	10.7	9.5	12.9	14.2
17.5	19.1	18.6	14.9	17.4
14.5	13.7	13.3	8.2	10.0
18.7	10.6	10.6	11.4	12.5
0.8	0.8	0.6	0.4	0.4
5.6	7.7	4.9	9.6	9.4
2.8	5.3	3.6	0.2	0.2
0.3	0.4	0.3	0.3	0.3
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
24.2	34.8	29.5	32.2	28.1
21.7	28.4	13.5	11.1	12.7
4.5	7.5	6.0	8.2	11.6
16.9	20.6	16.2	18.5	20.7
2.5	3.3	2.4	2.8	4.4
21.1	14.9	9.8	10.9	14.6
4.2	4.9	3.5	4.5	4.5
1.4	2.5	1.8	2.9	4.0
3.0	25.4	1.3	23.3	52.0
0.2	-	1.2	2.0	1.5
<u>99.7</u>	<u>142.3</u>	<u>85.2</u>	<u>116.4</u>	<u>154.1</u>
<u>0.3 %</u>	<u>(42.3) %</u>	<u>14.8 %</u>	<u>(16.4) %</u>	<u>(54.1) %</u>

Harris County Municipal Utility District No. 189
Comparative Schedule of Revenues and Expenditures – Debt Service Fund
Five Years Ended June 30,

	Amounts				
	2025	2024	2023	2022	2021
Debt Service Fund					
Revenues					
Property taxes	\$ 1,170,397	\$ 1,023,912	\$ 507,832	\$ 363,524	\$ 335,755
Penalty and interest	53,653	11,930	38,216	25,888	13,156
Investment income	44,382	38,012	13,754	348	68
Total Revenues	<u>1,268,432</u>	<u>1,073,854</u>	<u>559,802</u>	<u>389,760</u>	<u>348,979</u>
Expenditures					
Current					
Professional fees	15,118	4,658	8,301	9,271	2,167
Contracted services	54,116	50,168	44,435	42,171	35,604
Other expenditures	5,532	5,121	6,477	7,624	6,189
Debt service					
Principal retirement	300,000	290,000	275,000	270,000	265,000
Interest and fees	815,900	479,463	182,657	67,500	74,700
Total Expenditures	<u>1,190,666</u>	<u>829,410</u>	<u>516,870</u>	<u>396,566</u>	<u>383,660</u>
Excess (Deficiency) of Revenues Over Expenditures	77,766	244,444	42,932	(6,806)	(34,681)
Other Financing Sources					
Proceeds from sale of bonds	-	381,914	264,156	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	77,766	626,358	307,088	(6,806)	(34,681)
Fund Balance, Beginning of Year	<u>1,190,624</u>	<u>564,266</u>	<u>257,178</u>	<u>263,984</u>	<u>298,665</u>
Fund Balance, End of Year	<u>\$ 1,268,390</u>	<u>\$ 1,190,624</u>	<u>\$ 564,266</u>	<u>\$ 257,178</u>	<u>\$ 263,984</u>

Percent of Fund Total Revenues				
2025	2024	2023	2022	2021
92.3 %	95.4 %	90.7 %	93.3 %	96.2 %
4.2	1.1	6.8	6.6	3.8
3.5	3.5	2.5	0.1	0.0
100.0	100.0	100.0	100.0	100.0
1.2	0.4	1.5	2.4	0.6
4.3	4.7	7.9	10.8	10.2
0.4	0.5	1.2	1.9	1.8
23.6	27.0	49.1	69.3	75.9
64.3	44.6	32.6	17.3	21.4
93.8	77.2	92.3	101.7	109.9
<u>6.2 %</u>	<u>22.8 %</u>	<u>7.7 %</u>	<u>(1.7) %</u>	<u>(9.9) %</u>

**Harris County Municipal Utility District No. 189
Board Members, Key Personnel, and Consultants
Year Ended June 30, 2025**

Complete District mailing address:	Harris County Municipal Utility District No. 189 c/o Norton Rose Fulbright US LLP 1550 Lamar Street, Suite 2000 Houston, TX 77010-4106
District business telephone number:	713.651.5151
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	March 25, 2021
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

<u>Board Members</u>	<u>Term of Office Elected & Expires</u>	<u>Fees*</u>	<u>Expense Reimbursements</u>	<u>Title at Year-End</u>
Bruce G. Crawford	Elected 05/22– 05/26	\$ 2,652	\$ 136	President
Derwood Cone	Elected 05/22– 05/26	4,862	3,015	Vice President
Vijay Mishra	Elected 05/24– 05/28	4,199	3,132	Secretary
Harry N. Jackson	Elected 05/24– 05/28	2,652	363	Assistant Secretary
Whitten Stuckey	Appointed 06/25– 05/28	-	-	Assistant Secretary
Jeffrey Jackson	Elected 05/24– 05/25	2,652	-	Resigned

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

**Harris County Municipal Utility District No. 189
Board Members, Key Personnel, and Consultants
Year Ended June 30, 2025**

(Continued)

<u>Consultants</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title</u>
District Data Services, Inc.	04/05/84	\$ 31,750	Bookkeeper
Forvis Mazars, LLP	05/01/85	25,600	Auditor
H2O Innovation	12/16/80	1,799,217	Operator
Harris Central Appraisal District	Legislative Action	15,880	Appraiser
Masterson Advisors LLC	06/04/18	-	Financial Advisor
Norton Rose Fulbright US LLP	12/12/79	66,355	Attorney
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	04/01/87	15,118	Delinquent Tax Attorney
Vogler & Spencer Engineering, Inc.	05/06/87	247,339	Engineer
Wheeler & Associates, Inc.	02/02/84	42,814	Tax Assessor/ Collector
 <u>Investment Officer</u>			
Wendy Austin	2006	N/A	Bookkeeper