

OFFICIAL STATEMENT DATED MARCH 24, 2026

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS (I) IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER SECTION 103 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, AND (II) IS NOT AN ITEM OF TAX PREFERENCE FOR PURPOSES OF THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS. SEE "TAX MATTERS" HEREIN, INCLUDING INFORMATION REGARDING POTENTIAL ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS.

THE BONDS HAVE BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "TAX MATTERS—QUALIFIED TAX-EXEMPT OBLIGATIONS."

NEW ISSUE - Book-Entry-Only

Insured Rating (BAM): S&P "AA" (stable outlook)
 Underlying Rating: Moody's "A2"
 See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE" herein.

\$7,600,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 221
(A political subdivision of the State of Texas located within Harris County)
UNLIMITED TAX BONDS
SERIES 2026

The bonds described above (the "Bonds") are obligations solely of Harris County Municipal Utility District No. 221 (the "District") and are not obligations of the State of Texas, Harris County, the City of Houston or any entity other than the District.

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable property within the District. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See "INVESTMENT CONSIDERATIONS."

Dated Date: April 1, 2026

Due: May 1, as shown below

Interest Accrual Date: Date of Delivery

Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrars, initially The Bank of New York Mellon Trust Company, N.A. (the "Paying Agent/Registrar," "Paying Agent" or "Registrar"). Interest on the Bonds will accrue from the initial date of delivery (expected on or about April 22, 2026) (the "Date of Delivery") and be payable on November 1, 2026 and on each May 1 and November 1 thereafter until the earlier of maturity or redemption. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued only in fully registered form in \$5,000 denominations or integral multiples thereof. The Bonds are subject to redemption prior to maturity as shown below.

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



The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM" or the "Insurer"). See "MUNICIPAL BOND INSURANCE" herein.

MATURITY SCHEDULE

Due (May 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)	Due (May 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)
2027	\$ 145,000	5.500 %	2.65 %	414983 DT0	2038 (c)	\$ 255,000	4.000 %	3.70 %	414983 EE2
2028	155,000	5.500	2.70	414983 DU7	2039 (c)	265,000	4.000	3.80	414983 EF9
2029	160,000	5.500	2.75	414983 DV5	2040 (c)	280,000	4.000	3.85	414983 EG7
2030	170,000	5.500	2.85	414983 DW3	2041 (c)	295,000	4.000	3.90	414983 EH5
2031	180,000	5.500	2.90	414983 DX1	2042 (c)	310,000	4.000	4.00	414983 EJ1
2032	190,000	5.500	3.00	414983 DY9	2043 (c)	325,000	4.000	4.05	414983 EK8
2033 (c)	195,000	5.500	3.10	414983 DZ6	2044 (c)	340,000	4.000	4.10	414983 EL6
2034 (c)	205,000	5.500	3.20	414983 EA0	2045 (c)	360,000	4.000	4.20	414983 EM4
2035 (c)	220,000	3.250	3.60	414983 EB8	2046 (c)	375,000	4.000	4.30	414983 EN2
2036 (c)	230,000	3.250	3.70	414983 EC6	2047 (c)	395,000	4.000	4.40	414983 EP7
2037 (c)	240,000	3.375	3.80	414983 ED4	2048 (c)	415,000	4.000	4.45	414983 EQ5

\$900,000 Term Bonds Due May 1, 2050 (c), CUSIP No. 414983 ES1 (b), 4.000% Interest Rate, 4.50% Yield (a)

\$995,000 Term Bonds Due May 1, 2052 (c), CUSIP No. 414983 EU6 (b), 4.125% Interest Rate, 4.55% Yield (a)

- (a) The initial reoffering yields are established by, and are the sole responsibility of, the Underwriter (as defined herein) and may subsequently be changed. The initial reoffering yields on premium bonds are calculated to the earlier of maturity or the first optional redemption date.
- (b) 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 Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (c) Bonds maturing on and after May 1, 2033, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on May 1, 2032, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. The Term Bonds (as defined herein) are also subject to mandatory sinking fund redemption as more fully described herein. See "THE BONDS—Redemption Provisions."

The Bonds are offered by the Underwriter subject to prior sale, when, as and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Bracewell LLP, Bond Counsel. See "LEGAL MATTERS." Certain legal matters will be passed upon for the District by McCall Parkhurst & Horton L.L.P., as Disclosure Counsel. Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about April 22, 2026.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this OFFICIAL STATEMENT are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Bracewell LLP, 711 Louisiana Street, Suite 2300, Houston, Texas 77002, upon payment of duplication costs.

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 information actually comes to its attention, the other matters described in this OFFICIAL STATEMENT until delivery of the Bonds to the Underwriter (hereinafter defined) and thereafter only as specified in “PREPARATION OF OFFICIAL STATEMENT—Updating the Official Statement.”

Build America Mutual Assurance Company (“BAM” or the “Insurer”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this OFFICIAL STATEMENT or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading “MUNICIPAL BOND INSURANCE” and “APPENDIX B—Specimen Municipal Bond Insurance Policy.”

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 tendered by The Baker Group LP (the "Underwriter") bearing the interest rates shown on the cover page hereof, at a price of 97.0016% of the principal amount thereof to the Date of Delivery which resulted in a net effective interest rate of 4.252031% as calculated pursuant to Chapter 1204 of the Texas Government Code.

Prices and Marketability

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

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

Securities Laws

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

OFFICIAL STATEMENT SUMMARY

The following information is a brief summary of certain information contained herein which 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 DISTRICT

Description..... Harris County Municipal Utility District No. 221 (the “District”) is a political subdivision of the State of Texas, created by the Texas Water Rights Commission, predecessor to the Texas Commission on Environmental Quality (the “TCEQ”) on January 28, 1982, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District consists of approximately 534 acres of land. See “THE DISTRICT.”

Location The District is located approximately 17 miles north of the central downtown business district of the City of Houston, Texas in Harris County. The District lies wholly within the exclusive extraterritorial jurisdiction of the City of Houston and approximately 142 acres within the District is within the boundaries of Aldine Independent School District and approximately 372 acres within the District is within Spring Independent School District. Access to the District is provided by Interstate Highway 45 to Richey Road, approximately 2 miles south of the Interstate Highway 45 and the Farm-to-Market 1960 intersection. See “THE DISTRICT” and “AERIAL LOCATION MAP.”

Status of Development..... Residential subdivisions in the District include Northridge Park, Sections One through Three (228 lots on approximately 44 acres), Northview Place, Sections One through Six (477 lots on approximately 91 acres), Northridge Park West, Sections One through Four (363 lots on approximately 67 acres), Imperial Trace (118 lots on approximately 23 acres) and Villas of Estrella (112 lots on approximately 12 acres). As of January 31, 2026, there were 1,298 homes completed (of which 1,293 were occupied). According to the 2025 tax rolls of the District, the average home value was approximately \$248,000.

Park North Apartments, a 372-unit apartment community, has been constructed on approximately 30 acres within the District. According to its property management, the apartment community is currently approximately 85% occupied as of February 10, 2026.

Approximately 151 acres within the District have been developed for commercial and retail development. Approximately 40 of the 151 acres are served by underground trunkline water distribution, wastewater collection and storm drainage facilities for future development. Commercial and retail development in the District currently includes an approximately 138,000 square foot Sam’s Club store; CarMax Houston North, a used car facility with showrooms and repair facilities; a Mitsubishi car dealership; a used car dealership; a Super 8 by Wyndham Hotels; a Downtowner Inn motel; a Discount Tire Store; a small office building; Texas Sterling, a construction company headquartered in the District; an approximately 101,000 square foot and approximately 287,000 square foot manufacturing and distribution warehouses occupied by Farouk Cosmetics Co.; two gasoline/service stations; an Extra Space Storage facility; a CVS; a Taco Bell; a Buffalo Wild Wings; an Olive Garden and several other restaurants.

A Spring Independent School District alternative school and transportation center have been constructed on approximately 29 acres of land in the District. The alternative school and transportation center are not subject to ad valorem taxation by the District.

The District contains approximately 87 acres of undevelopable land contained in easements, rights-of-ways, detention facilities and utility sites. See “THE DISTRICT—Status of Development.”

Payment Record..... The District has previously issued \$17,985,000 principal amount of unlimited tax bonds in four series and \$7,840,000 principal amount of unlimited tax refunding bonds in two series (the “Previously Issued Bonds”), none of which is currently outstanding as of the date hereof. The District has never defaulted on the payment of principal and interest on the Previously Issued Bonds. The District will capitalize eighteen (18) months of interest from proceeds of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

THE BONDS

<i>Description</i>	\$7,600,000 Unlimited Tax Bonds, Series 2026 (the “Bonds”) are being issued pursuant to a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the District’s Board of Directors (the “Board”). The Bonds are scheduled to mature serially on May 1 in each of the years 2027 through 2048, both inclusive, and as term bonds maturing on May 1 in each of the years 2050 and 2052 (the “Term Bonds”) and in the amounts and paying interest at the rates shown on the cover hereof. The Bonds will be issued in book-entry form only in denominations of \$5,000 or integral multiples of \$5,000. Interest on the Bonds initially accrues from the Date of Delivery and is payable on November 1, 2026, and on each May 1 and November 1 thereafter, until the earlier of maturity or prior redemption. See “THE BONDS—Redemption Provisions.”
<i>Book-Entry-Only System</i>	The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds and will be deposited with DTC or its designee. See “BOOK-ENTRY-ONLY SYSTEM.”
<i>Redemption</i>	Bonds maturing on or after May 1, 2033, are subject to redemption, in whole or from time to time in part, at the option of the District, prior to their maturity dates, on May 1, 2032, or on any date thereafter at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. The Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS—Redemption Provisions.”
<i>Use of Proceeds</i>	Proceeds from the Bonds will be used to pay for items shown herein under “USE AND DISTRIBUTION OF BOND PROCEEDS.” In addition, Bond proceeds will also be used to capitalize eighteen (18) months of interest on the Bonds, to pay easement acquisition costs, to pay engineering fees and administrative costs and to pay certain other costs and fees related to the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”
<i>Authority for Issuance</i>	The Bonds are the fifth series of bonds issued out of an aggregate of \$29,000,000 principal amount of unlimited tax bonds authorized by the District’s voters for the purpose of constructing and or acquiring a waterworks, sanitary sewer and storm sewer system. The Bonds are issued by the District pursuant to an order of the TCEQ, the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See “THE BONDS—Authority for Issuance,” “—Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS—Future Debt.”
<i>Source of Payment</i>	Principal of and interest on the Bonds are payable from an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The Bonds are obligations of the District and are not obligations of the State of Texas, Harris County, the City of Houston or any other political subdivision or agency other than the District. See “THE BONDS—Source of Payment.”
<i>Qualified Tax-Exempt Obligations</i>	The Bonds have been designated as “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS—Qualified Tax-Exempt Obligations.”
<i>Municipal Bond Rating and Municipal Bond Insurance</i>	It is expected that S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) will assign a municipal bond rating of “AA” (stable outlook) to this issue of Bonds with the understanding that, upon issuance and delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company (“BAM” or the “Insurer”). Moody’s Investors Service (“Moody’s”) has assigned an underlying credit rating of “A2” on the Bonds. An explanation of the ratings may be obtained from S&P and Moody’s. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance,” “MUNICIPAL BOND RATING,” “MUNICIPAL BOND INSURANCE” and “APPENDIX B.”

Bond Counsel..... Bracewell LLP, Houston, Texas.
Disclosure Counsel McCall, Parkhurst & Horton L.L.P., Houston, Texas.
Financial Advisor..... Masterson Advisors LLC, Houston, Texas.
Paying Agent/Registrar..... The Bank of New York Mellon Trust Company, N.A.

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2025 Certified Taxable Assessed Valuation	\$524,495,869 (a)
Gross Direct Debt Outstanding (the Bonds)	\$ 7,600,000
Estimated Overlapping Debt	<u>34,301,266 (b)</u>
Gross Direct Debt and Estimated Overlapping Debt	\$41,901,266
Ratio of Gross Direct Debt to:	
2025 Certified Taxable Assessed Valuation	1.45%
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:	
2025 Certified Taxable Assessed Valuation	7.99%
Funds Available for Debt Service:	
Capitalized Interest from Proceeds of the Bonds (Eighteen (18) Months).....	\$482,053 (c)
General Operating Funds Available as of February 24, 2026	\$6,158,015
2025 Total Tax Rate (All Maintenance)	\$0.303
Average Annual Debt Service Requirement (2027-2052)	\$479,083 (d)
Maximum Annual Debt Service Requirement (2052).....	\$520,519 (d)
Tax Rate Required to Pay Average Annual Debt Service (2027-2052) at a 95% Collections Rate:	
2025 Certified Taxable Assessed Valuation	\$0.10 (e)
Tax Rate Required to Pay Maximum Annual Debt Service (2052) at a 95% Collections Rate:	
2025 Certified Taxable Assessed Valuation	\$0.11 (e)
Water Connections as of January 31, 2026 (f):	
Homes Completed (1,293 Occupied)	1,298
Multi-Family (372 Units)	1
Commercial Connections	29
Other Connections.....	31
Estimated 2026 Population.....	5,270 (g)

(a) As certified by the Harris Central Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."
(b) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt."
(c) The District will capitalize eighteen (18) months of interest from Bond proceeds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
(d) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."
(e) See "TAX DATA—Tax Adequacy for Debt Service" and "INVESTMENT CONSIDERATIONS—Impact on District Tax Rates."
(f) See "THE DISTRICT—Status of Development."
(g) Based on 3.5 persons per occupied single-family connection and 2.0 persons per multi-family unit.

OFFICIAL STATEMENT

\$7,600,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 221

(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. 221 (the “District”) of its \$7,600,000 Unlimited Tax Bonds, Series 2026 (the “Bonds”).

The Bonds are issued by the District pursuant to an election held within the District, Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including, without limitation, Chapters 49 and 54 of the Texas Water Code, as amended, a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the Board of Directors of the District (the “Board”), and an order of the Texas Commission on Environmental Quality (the “TCEQ”).

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District and development activity in 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 Bracewell LLP, 711 Louisiana Street, Suite 2300, Houston, Texas 77002.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Resolution of the Board authorizing the issuance and sale of the Bonds. The Bond Resolution authorizes the issuance and sale of the Bonds and prescribes the terms, conditions, and provisions for the payment of the principal of and interest on the Bonds by the District.

Description

The Bonds will be dated April 1, 2026 and will accrue interest from the Date of Delivery, with interest is payable on each November 1 and May 1, commencing November 1, 2026 (each, an “Interest Payment Date”), until the earlier of maturity or prior redemption. The Bonds mature on May 1 in the amounts and years and accrue interest at the rates shown on the cover page of this OFFICIAL STATEMENT. Interest calculations are based on a 360-day year comprised of twelve 30-day months. The Bonds will be issued only in fully registered form in \$5,000 denominations or integral multiples thereof.

Method of Payment of Principal and Interest

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

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

Source of Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants in the Bond Resolution to levy a continuing direct annual ad valorem tax, without legal limit as to rate or amount, upon all taxable property in the District sufficient to pay the principal of and interest on the Bonds, with full allowance being made for delinquencies and costs of collection. In the Bond Resolution, the District covenants that said taxes are irrevocably pledged to the payment of the interest on and principal of the Bonds and to no other purpose.

The Bonds are obligations of the District and are not the obligations of the State of Texas, Harris County, the City of Houston, or any entity other than the District.

Funds

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

Eighteen (18) months of capitalized interest shall be deposited into the Debt Service Fund upon receipt. The remaining proceeds from the sale of the Bonds shall be deposited into the Capital Projects Fund, to pay land acquisition costs, to pay certain construction costs and to pay the costs of issuing the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS” for a more complete description of the use of Bond proceeds.

Redemption Provisions

Mandatory Redemption: The Bonds maturing on May 1 in each of the years 2050 and 2052 (the “Term Bonds”) shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the “Mandatory Redemption Date”), on May 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District’s reserved right of optional redemption, as provided under “Optional Redemption” below):

\$900,000 Term Bonds		\$995,000 Term Bonds	
Due May 1, 2050		Due May 1, 2052	
Mandatory Redemption Date	Principal Amount	Mandatory Redemption Date	Principal Amount
2049	\$ 440,000	2051	\$ 485,000
2050 (maturity)	460,000	2052 (maturity)	510,000

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

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds maturing on and after May 1, 2033, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on May 1, 2032, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities of Bonds to be redeemed shall be selected by the District. If less than all the Bonds of any maturity are redeemed at any time, the particular Bonds within a maturity to be redeemed shall be selected by the Paying Agent/Registrar by lot or other customary method of selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

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

Authority for Issuance

At a bond election held within the District on February 27, 1982, voters of the District authorized the issuance of \$29,000,000 principal amount of unlimited tax bonds for the purpose of constructing and or acquiring a waterworks, sanitary sewer and storm sewer system and \$43,500,000 principal amount of unlimited tax refunding bonds. See “—Issuance of Additional Debt” herein. The TCEQ has approved the District’s issuance of the Bonds for the purposes described in “USE AND DISTRIBUTION OF BOND PROCEEDS.”

The Bonds are issued by the District pursuant to the terms and provisions of the Bond Resolution, an order of the TCEQ, Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas including, without limitation, Chapters 49 and 54 of the Texas Water Code, as amended.

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

Registration and Transfer

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

No Arbitrage

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

Record Date

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

Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System is discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, stolen or destroyed, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding. Registered Owners of lost, stolen or destroyed bonds will be required to pay the District's costs to replace such bond. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

Replacement of Paying Agent/Registrar

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

Issuance of Additional Debt

The District's voters have authorized the issuance of \$29,000,000 principal amount of unlimited tax bonds for the purpose of constructing and or acquiring a waterworks, sanitary sewer and storm sewer system and \$43,500,000 principal amount of unlimited tax bonds for refunding purposes and could authorize additional amounts. After issuance of the Bonds, the District will have \$3,415,000 principal amount of unlimited tax bonds authorized but unissued for the purpose of constructing and or acquiring a waterworks, sanitary sewer and storm sewer system and \$43,500,000 principal amount of unlimited tax bonds authorized but unissued for refunding purposes. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. See “—Authority for Issuance” and “INVESTMENT CONSIDERATIONS—Future Debt.”

The District is authorized by statute to develop parks and recreational facilities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) amendments to existing city ordinances specifying the purposes for which the District may issue bonds; (b) preparation of a detailed park plan; (c) authorization of park bonds by the qualified voters in the District; (d) approval of the park projects and bonds by the TCEQ; and (e) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds is limited to one percent (1%) of the District's certified taxable assessed valuation, unless, the District meets certain financial feasibility requirements under the TCEQ rules, in which case the District may exceed an amount equal to one percent (1%) but not three percent (3%) of the value of the taxable property in the District. The District has no current plans to prepare a park plan or call an election for such purpose.

The District is also 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 such bonds, the following actions would be required: (a) approval of a detailed fire plan by the TCEQ; (b) authorization of the detailed fire plan and bonds for such purpose by the qualified voters in the District; (c) approval of the bonds by the TCEQ; and (d) approval of bonds by the Attorney General of Texas. The Board has not considered preparing a fire plan or calling an election at this time for such purposes.

Pursuant to Chapter 54 of the Water Code, a municipal utility district may petition the TCEQ 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 TCEQ, 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 TCEQ for "road powers" nor calling such an election at this time.

If additional debt obligations are issued in the future by the District, such issuance may increase gross debt/property ratios and might adversely affect the investment security of the Bonds.

Annexation by the City of Houston

Chapter 42, Local Government Code, provides that, within the limits described therein, the unincorporated area contiguous to the corporate limits of any city comprises that city's extraterritorial jurisdiction. The size of extraterritorial jurisdiction depends in part on the city's population. For the City of Houston, the extraterritorial jurisdiction consists of all the contiguous unincorporated areas, not a part of any other city limits or city's extraterritorial jurisdiction, within five (5) miles of the corporate limits of the City of Houston. With certain exceptions, a city may annex territory only within the confines of its extraterritorial jurisdiction. When a city annexes additional territory, the city's extraterritorial jurisdiction expands in conformity with such annexation.

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District must conform to a City of Houston consent ordinance. In addition, except as described herein under "STRATEGIC PARTNERSHIP AGREEMENT," the District may be annexed by the City of Houston without the District's consent; however, under Texas law, the City of Houston cannot annex territory within the District unless it annexes the entire District. If the District is annexed, the City of Houston will assume the District's assets and obligations (including the Bonds) and dissolve the District. Annexation of territory by the City of Houston is a policy-making matter within the discretion of the Mayor and City Council of the City of Houston, and therefore, the District makes no representation that the City of Houston will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City of Houston to make debt service payments should annexation occur.

Consolidation

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

Remedies in Event of Default

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

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

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

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

BOOK-ENTRY-ONLY SYSTEM

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

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds 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 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a rating of “AA+” from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but neither the District nor the Underwriter take any responsibility for the accuracy thereof.

STRATEGIC PARTNERSHIP AGREEMENT

In November 2002, the District entered into a strategic partnership agreement (the "SPA") with the City of Houston (the "City") as authorized by Texas Local Government Code Chapter 43. The SPA provides for a "limited purpose annexation" of a portion of the District for purpose of applying certain City health, safety, planning and zoning ordinances within the District. The SPA also provides that the City will not annex the District for "full purposes" (a traditional municipal annexation) until the earlier of: (1) at least ninety percent (90%) of the District's water, wastewater, and storm drainage facilities are constructed or (2) thirty (30) years. 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 TCEQ rules. In June 2006, the City and the District amended the SPA to include additional commercial property in the District. The SPA was further amended in November 2012 to provide for the limited purpose annexation by the City of an additional tract of land in the District.

As a result of the SPA, the City is authorized to impose the one percent (1%) retail City Sales Tax within the portion of the District included in the limited purpose annexation. Pursuant to the SPA, the City agreed to pay 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 Comptroller (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 City receives sales tax funds from the Comptroller on a monthly basis and, pursuant to the SPA, will remit Contract Sales Tax Revenue to the District on a monthly basis. The City began assessing the City Sales Tax in the District in January 2003. None of the anticipated City Sales Tax Revenue is pledged toward the payment of principal and interest on the Bonds.

USE AND DISTRIBUTION OF BOND PROCEEDS

The estimated use and distribution of Bond proceeds is shown below. The construction costs below were compiled by the Vogler & Spencer Engineering, Inc., the District’s engineer (the “Engineer”) and were submitted to the TCEQ in the District’s bond application. Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and Masterson Advisors LLC (the “Financial Advisor”). Of proceeds to be received from the sale of the Bonds, \$6,378,640 is estimated for construction costs and \$1,221,360 is estimated for non-construction costs, including eighteen (18) months of capitalized interest on the Bonds. The surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used, if approved by the TCEQ, where required.

CONSTRUCTION COSTS	
Surface Water Transmission Line & Chlorine Conversion.....	\$ 1,636,000
Wastewater Treatment Plant No. 1 Upgrades	1,621,333
Water Plant No. 1 Upgrades	1,530,000
Land Acquisition Costs - Surface Water Transmission Line Easement.....	250,000
Contingencies	479,467
Engineering.....	861,840
Total Construction Costs	\$ 6,378,640
 NON-CONSTRUCTION COSTS	
Capitalized Interest (Eighteen (18) Months) (a).....	\$ 482,053
Bond Discount (a).....	227,881
Total Non-Construction Costs	\$ 709,935
 ISSUANCE COSTS AND FEES	
Issuance Costs and Professional Fees.....	\$ 346,760
Bond Application Report Costs	50,000
State Regulatory Fees	26,600
Contingency (a).....	88,065
Total Issuance Costs and Fees	\$ 511,425
 TOTAL BOND ISSUE	 \$ 7,600,000

(a) The TCEQ approved eighteen (18) months of capitalized interest and a maximum Underwriter’s Discount of 3.00%. Contingency represents the difference in the estimated and actual amounts of capitalized interest and Bond Discount.

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved under the rules of the TCEQ. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required. The District cannot and does not guarantee the sufficiency of such funds for such purpose.

THE DISTRICT

General

The District is a political subdivision of the State of Texas, created by the Texas Water Rights Commission (predecessor to the TCEQ) on January 28, 1982, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, and other general laws of the State of Texas applicable to municipal utility districts. The District consists of approximately 534 acres of land.

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; the control and diversion of storm water; and solid waste collection and disposal service. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the City, the TCEQ and the voters of the District. Additionally, the District may, subject to certain limitations, develop and finance recreational facilities. See “THE BONDS—Issuance of Additional Debt.”

The TCEQ exercises continuing supervisory jurisdiction over the District. In order to obtain the consent for creation from the City, within whose extraterritorial jurisdiction boundaries the District lies, the District is required to observe certain requirements of the City which: limit the purposes for which the District may sell bonds for the acquisition, construction, and improvement of waterworks, wastewater, and drainage facilities, fire fighting facilities and park and recreational facilities; 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 lots and commercial or multi-family reserves described in plats which have been approved by the Planning Commission of the City and recorded in the real property records. Construction and operation of the District's system is subject to the regulatory jurisdiction of additional governmental agencies. See “THE SYSTEM—Regulation.”

Description and Location

The District is located approximately 17 miles north of the central downtown business district of the City of Houston, Texas in Harris County. The District lies wholly within the exclusive extraterritorial jurisdiction of the City of Houston and approximately 142 acres within the District is within the boundaries of Aldine Independent School District and approximately 372 acres within the District is within Spring Independent School District. Access to the District is provided by Interstate Highway 45 to Richey Road, approximately 2 miles south of the Interstate Highway 45 and the Farm-to-Market 1960 intersection. See “AERIAL LOCATION MAP.”

Status of Development

Single-family residential development in the District includes Northridge Park, Sections One through Three (228 lots on approximately 44 acres), Northview Place, Sections One through Six (477 lots on approximately 91 acres), Northridge Park West, Sections, One through Four (363 lots on approximately 67 acres), Imperial Trace (118 lots on approximately 23 acres) and Villas of Estrella (112 lots on approximately 12 acres). As of January 31, 2026, there were 1,298 homes completed (of which 1,293 were occupied). According to the 2025 tax rolls of the District, the average home value was approximately \$248,000.

Park North Apartments, a 372-unit apartment community, has been constructed on approximately 30 acres within the District. According to its property management, the apartment community is currently approximately 85% occupied as of February 10, 2026.

Approximately 151 acres within the District have been developed for commercial and retail development. Approximately 40 of the 151 acres are served by underground trunkline water distribution, wastewater collection and storm drainage facilities for future development. Commercial and retail development in the District currently includes an approximately 138,000 square foot Sam's Club store; CarMax Houston North, a used car facility with showrooms and repair facilities; a Mitsubishi car dealership; a used car dealership; a Super 8 by Wyndham Hotels; a Downtowner Inn motel; a Discount Tire Store; a small office building; Texas Sterling, a construction company headquartered in the District; an approximately 101,000 square foot and approximately 287,000 square foot manufacturing and distribution warehouses occupied by Farouk Cosmetics Co.; two gasoline/service stations; an Extra Space Storage facility; a CVS; a Taco Bell; a Buffalo Wild Wings; an Olive Garden and several other restaurants.

A Spring Independent School District alternative school and transportation center have been constructed on approximately 29 acres of land in the District. The alternative school and transportation center are not subject to ad valorem taxation by the District.

The District contains approximately 87 acres of undevelopable land contained in easements, rights-of-ways, detention facilities and utility sites.

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board, consisting of five directors, which has control over and management supervision of all affairs of the District. Directors are elected to four-year staggered terms and elections are held in May in even numbered years only. One of the Directors listed below resides within the District; however, each of the Directors own land within the District. The Directors of the District are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Edward C. Stucey	President	May 2029
Vacant	Vice President	May 2029
Vacant	Secretary	May 2027
Stephanie Woods	First Assistant Secretary	May 2027
Aamanda Carrier	Second Assistant Secretary	May 2029

District Consultants

While the District does not have a general manager or employ any full-time employees, it has contracted for certain services as follows:

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

Tax Appraisal: The Harris Central Appraisal District has the responsibility of appraising all property within the District. See "TAXING PROCEDURES."

Bookkeeper: The District has engaged District Data Services, Inc., to serve as the District's bookkeeper (the "Bookkeeper").

Utility System Operator: The operator of the District's internal water and wastewater system is Inframark, LLC.

Engineer: The District's consulting engineer in connection with the design and construction of the District's facilities is Vogler & Spencer Engineering, Inc.

Bond Counsel/Attorney: The District has engaged Bracewell LLP as general counsel to the District and as Bond Counsel in connection with the issuance of the District's bonds. The fees of the attorneys in their capacity as Bond Counsel are contingent upon the sale and delivery of the Bonds. Compensation to the attorneys for other services to the District is based on time charges actually incurred.

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

Disclosure Counsel: The District has engaged McCall, Parkhurst & Horton L.L.P., Houston, Texas as disclosure counsel. The fees paid to disclosure counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

Auditor: As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audited financial statements are filed with the TCEQ. The District's financial statements as of and for the fiscal year ended September 30, 2025 have been audited by Forvis Mazars LLP, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's September 30, 2025 audited financial statements.

THE SYSTEM

Regulation

Construction and operation of the District's water, wastewater and storm drainage system as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the District. Discharge of treated sewage into Texas waters, if any, is also subject to the regulatory authority of the TCEQ and the United States Environmental Protection Agency. Withdrawal of ground water and the issuance of water well permits are subject to the regulatory authority of the Harris-Galveston Coastal Subsidence District where applicable (see “—Water Supply” and “—Subsidence and Conversion to Surface Water Supply” below). Construction of drainage facilities is subject to the regulatory authority of the Harris County Flood Control District. Harris County, the City of Houston, and the Texas Department of Health also exercise regulatory jurisdiction over the District's system.

Water Supply

Water supply for the District is provided by Water Plant No. 1, which consists of a 1,283 gallon per minute (“gpm”) well, two 20,000 gallon pressure tanks, a 429,177 gallon ground storage tank and 2,400 gpm of booster pump capacity. According to the Engineer, Water Plant No. 1 is capable of serving 2,000 equivalent single-family connections (“ESFCs”), of which it is currently serving 1,961 ESFCs. The District expects to convert to surface water in 2027 as required by the City of Houston. See “—Subsidence and Conversion to Surface Water Supply” below. A portion of the proceeds from the Bonds will be expended to finance improvements to Water Plant No. 1. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

Subsidence and Conversion to Surface Water Supply

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 is subject to an annual permit 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 has agreed to be included in the GRP prepared by the City of Houston in order to meet the Subsidence District requirements. As a participant in the City's GRP, the District has complied with all Subsidence District requirements in regard to the conversion to surface water, 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 City of Houston currently anticipates delivering surface water to a delivery point south of the District in 2027. The District will construct surface water lines from the delivery point to each of the District's water plants, and convert the water plants to chloramine disinfection to match that of the surface water.

Wastewater Treatment

The District's wastewater is treated in a 1,800,000 gallon per day (“gpd”) wastewater treatment facility jointly owned by the District and Harris County Municipal Utility District No. 154 (“MUD 154”). The District owns forty-four percent (44%) of the plant's capacity with MUD 154 owning the remaining fifty-six percent (56%). The District's capacity in the wastewater treatment facility will adequately serve 2,666 ESFCs, of which it is currently serving 1,961 ESFCs. A portion of the proceeds from the Bonds will be expended to finance improvements to the wastewater treatment facility. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

Water Distribution, Wastewater Collection and Storm Drainage Facilities

Water distribution, wastewater collection and storm drainage facilities have been constructed to serve 1,298 single-family residential lots within the District and approximately 210 acres of commercial, retail and multi-family development (including approximately 40 acres served by underground water distribution, wastewater collection and storm drainage facilities without above-ground improvements).

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 rainstorm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is no assurance that homes built in such area will not be flooded and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years.

According to the Engineer, no acreage within the District lies within the 100-year flood plain designation. Stormwater sewer and drainage facilities have been constructed to provide required drainage for the District. See “INVESTMENT CONSIDERATIONS—Extreme Weather Events.”

Water and Wastewater Operations

The following statement sets forth in condensed form the General Operating Fund as shown in the District’s audited financial statements for the fiscal years ending September 30, 2021 through September 30, 2025. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to “APPENDIX A” for further and complete information.

	Fiscal Year Ended September 30				
	2025	2024	2023	2022	2021
Revenues					
Property Taxes	\$ 1,547,664	\$ 1,609,937	\$ 835,202	\$ 678,731	\$ 668,691
Sales Tax Rebates	383,896	383,835	390,833	359,132	322,056
Water Service	893,509	764,399	645,262	594,912	535,438
Sewer Service	584,030	562,226	528,471	518,875	506,037
Bulk Water Sales	45,697	43,688	43,904	-	-
Penalty and Interest	39,875	40,892	31,143	31,177	17,665
Tap Connection and Inspection Fees	-	18,340	109,090	36,476	70,114
Investment Income	256,088	266,617	214,954	31,463	3,335
Other Income	17,775	6,634	1,205	303	14,575
Total Revenues	\$ 3,768,534	\$ 3,696,568	\$ 2,800,064	\$ 2,251,069	\$ 2,137,911
Expenditures					
Purchased Services	\$ 693,450	\$ 905,845	\$ 735,719	\$ 486,283	\$ 343,102
Regional Water Fee	569,780	358,404	255,851	202,568	183,447
Professional Fees	188,435	219,094	218,059	188,873	207,639
Contracted Services	576,025	503,241	471,494	484,464	454,884
Utilities	79,371	83,653	72,285	78,825	56,607
Repairs and Maintenance	592,167	621,276	794,205	483,167	320,874
Other Expenditures	123,376	108,365	107,659	93,560	91,445
Tap Connections	4,800	4,925	75,225	13,402	20,596
Capital Outlay	17,924	77,427	180,571	-	-
Principal Retirement	160,000	-	-	-	-
Interest and Fees	3,200	-	-	-	-
Total Expenditures	\$ 3,008,528	\$ 2,882,230	\$ 2,911,068	\$ 2,031,142	\$ 1,678,594
Revenues Over (Under) Expenditures	\$ 760,006	\$ 814,338	\$ (111,004)	\$ 219,927	\$ 459,317
Other Financing Sources (Uses)					
Interfund Transfers In (Out)	\$ 44,561	\$ (273,974)	\$ -	\$ -	\$ -
Fund Balance (Beginning of Year)	\$ 5,217,006	\$ 4,676,642	\$ 4,787,646	\$ 4,567,719	\$ 4,108,402
Fund Balance (End of Year)	\$ 6,021,573	\$ 5,217,006	\$ 4,676,642	\$ 4,787,646	\$ 4,567,719

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2025 Certified Taxable Assessed Valuation	\$524,495,869 (a)
Gross Direct Debt Outstanding (the Bonds)	\$ 7,600,000
Estimated Overlapping Debt	<u>34,301,266</u> (b)
Gross Direct Debt and Estimated Overlapping Debt	\$41,901,266
Ratio of Gross Direct Debt to:	
2025 Certified Taxable Assessed Valuation	1.45%
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:	
2025 Certified Taxable Assessed Valuation	7.99%
Funds Available for Debt Service:	
Capitalized Interest from Proceeds of the Bonds (Eighteen (18) Months).....	\$482,053 (c)
General Operating Funds Available as of February 24, 2026	\$6,158,015

(a) As certified by the Appraisal District. See "TAXING PROCEDURES."

(b) See "—Estimated Overlapping Debt" herein.

(c) The District will capitalize eighteen (18) months of interest from Bond proceeds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

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 will be invested in short term U.S. Treasuries, 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, nor does it anticipate, the inclusion of long-term securities or derivative products in the District portfolio.

Debt Service Requirements

The following sets forth the debt service on the Bonds. This schedule does not reflect the fact that eighteen (18) months of interest will be capitalized from Bond proceeds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

Year	Debt Service on the Bonds		
	Principal	Interest	Total
2026	\$ -	\$ 168,719	\$ 168,719
2027	145,000	317,381	462,381
2028	155,000	309,131	464,131
2029	160,000	300,469	460,469
2030	170,000	291,394	461,394
2031	180,000	281,769	461,769
2032	190,000	271,594	461,594
2033	195,000	261,006	456,006
2034	205,000	250,006	455,006
2035	220,000	240,794	460,794
2036	230,000	233,481	463,481
2037	240,000	225,694	465,694
2038	255,000	216,544	471,544
2039	265,000	206,144	471,144
2040	280,000	195,244	475,244
2041	295,000	183,744	478,744
2042	310,000	171,644	481,644
2043	325,000	158,944	483,944
2044	340,000	145,644	485,644
2045	360,000	131,644	491,644
2046	375,000	116,944	491,944
2047	395,000	101,544	496,544
2048	415,000	85,344	500,344
2049	440,000	68,244	508,244
2050	460,000	50,244	510,244
2051	485,000	31,041	516,041
2052	510,000	10,519	520,519
Total	\$ 7,600,000	\$ 5,024,865	\$ 12,624,865

Average Annual Debt Service Requirements (2027-2052).....	\$479,083
Maximum Annual Debt Service Requirement (2052).....	\$520,519

Estimated Overlapping Debt

The following table indicates the outstanding debt payable from ad valorem taxes, of governmental entities within which the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. Debt figures equated herein to outstanding obligations payable from ad valorem taxes are based upon data obtained from individual jurisdictions or Texas Municipal Reports compiled and published by the Municipal Advisory Council of Texas. Furthermore, certain entities listed below may have issued additional obligations since the date listed and may have plans to incur significant amounts of additional debt. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for the purposes of operation, maintenance and/or general revenue purposes in addition to taxes for the payment of debt service and the tax burden for operation, maintenance and/or general revenue purposes is not included in these figures. The District has no control over the issuance of debt or tax levies of any such entities.

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Harris County.....	\$ 2,257,734,736	1/31/2026	0.08%	\$ 1,806,188
Harris County Flood Control District.....	937,165,000	1/31/2026	0.08%	749,732
Harris County Hospital District.....	867,820,000	1/31/2026	0.08%	694,256
Harris County Department of Education.....	28,960,000	1/31/2026	0.08%	23,168
Port of Houston Authority.....	386,074,397	1/31/2026	0.08%	308,860
Spring Independent School District (a).....	1,300,200,000	1/31/2026	1.90%	24,703,800
Aldine Independent School District (a).....	1,218,970,000	1/31/2026	0.44%	5,363,468
Lone Star College System.....	434,530,000	1/31/2026	0.15%	651,795
Total Estimated Overlapping Debt.....				\$ 34,301,266
The District.....	7,600,000 (b)	Current	100.00%	7,600,000
Total Direct and Estimated Overlapping Debt.....				\$ 41,901,266

Direct Debt and Estimated Overlapping Debt as a Percentage of:

2025 Certified Taxable Assessed Valuation of \$524,495,869 7.99%

- (a) Approximately 372 acres within the District are located within the boundaries of Spring Independent School District and approximately 142 acres within the District are located within the boundaries of Aldine Independent School District.
- (b) The Bonds.

Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties and interest imposed on such property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with tax liens of taxing authorities shown below. In addition to ad valorem taxes required to pay debt service on bonded debt of the District and other taxing authorities (see “—Estimated Overlapping Debt” herein), certain taxing jurisdictions, including the District, are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below are all of the taxes levied for the 2025 tax year by all taxing jurisdictions overlapping the District and the District's 2025 tax rate. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	Tax Rate per \$100 of Taxable <u>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
Harris County Emergency Services District No. 24.....	0.098240
Harris County Emergency Services District No. 1.....	0.085145
Spring Independent School District (a).....	1.136900
Lone Star College System.....	<u>0.106000</u>
Total Overlapping Tax Rate.....	\$ 2.055213
 The District (b).....	 <u>0.303000</u>
Total Tax Rate.....	\$ 2.358213

- (a) Approximately 142 acres within the District are located within the boundaries of Aldine Independent School District, which set its 2025 tax rate at \$1.034 per \$100 taxable assessed valuation, creating a total tax rate for taxpayers in this area of \$2.255313 per \$100 taxable assessed valuation.
- (b) See “TAX DATA—Historical Tax Rate Distribution.”

TAX DATA

Debt Service Tax

The Board covenants in the Bond Resolution to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. The District expects to levy a debt service tax rate in 2026. See “—Historical Tax Rate Distribution” below and “—Tax Roll Information” herein and “TAXING PROCEDURES.”

Maintenance and Operations Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District's voters. A maintenance tax election was conducted February 27, 1982, and voters of the District authorized, among other things, the Board to levy a maintenance tax not to exceed \$1.00 per \$100 taxable assessed valuation. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds. See “—Debt Service Tax” above.

Historical Tax Rate Distribution

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Debt Service Tax	\$ -	\$ -	\$ -	\$ 0.160	\$ 0.180
Maintenance and Operations Tax	<u>0.303</u>	<u>0.305</u>	<u>0.320</u>	<u>0.185</u>	<u>0.175</u>
Total	\$ 0.303	\$ 0.305	\$ 0.320	\$ 0.345	\$ 0.355

Exemptions

As discussed in the section titled “TAXING PROCEDURES” herein, certain property in the District may be exempt from taxation by the District. For the 2025 tax year, the District has adopted a \$5,000 exemption for disabled persons or persons over age 65 and a 10% (but not less than \$5,000) homestead exemption.

Additional Penalties

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

Historical Tax Collections

The following statement of tax collections sets forth in condensed form the historical tax collection experience of the District. Such table has been prepared for inclusion herein, based upon information obtained from the District’s Tax Assessor/Collector. Reference is made to such statements and records for further and complete information. See “—Tax Roll Information” below.

Tax Year	Certified		Total Tax Levy	Total Collections as of January 31, 2026 (a)	
	Taxable Assessed Valuation	Tax Rate		Amount	Percent
2020	\$ 363,235,863	\$ 0.370	\$ 1,343,973	\$ 1,342,511	99.89%
2021	388,475,199	0.355	1,379,087	1,377,702	99.90%
2022	451,202,471	0.345	1,556,649	1,552,609	99.74%
2023	506,793,021	0.320	1,621,738	1,617,184	99.72%
2024	508,320,157	0.305	1,550,376	1,541,539	99.43%
2025	524,495,869	0.303	1,589,222	(b)	(b)

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

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

Tax Roll Information

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 Valuation. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year.

	2025	2024	2023	2022	2021
	Certified Taxable Assessed Valuation	Certified Taxable Assessed Valuation	Certified Taxable Assessed Valuation	Certified Taxable Assessed Valuation	Certified Taxable Assessed Valuation
Land	\$ 114,391,396	\$ 112,746,475	\$ 104,771,831	\$ 80,204,663	\$ 76,626,606
Improvements	390,625,154	376,356,446	371,201,199	337,952,612	283,547,403
Personal Property	116,969,992	109,381,276	110,252,421	99,210,597	90,702,360
Exemptions	(97,490,673)	(90,164,040)	(79,432,430)	(66,165,401)	(62,401,170)
Total	\$ 524,495,869	\$ 508,320,157	\$ 506,793,021	\$ 451,202,471	\$ 388,475,199

Principal Taxpayers

The following table represents the principal taxpayers, the taxable assessed valuation of such property and such property’s taxable assessed valuation as a percentage of the 2025 Certified Taxable Assessed Valuation of \$524,495,869. See “INVESTMENT CONSIDERATIONS—Dependence on Principal Taxpayers.”

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2025 Certified Taxable Assessed Valuation</u>	<u>% of 2025 Certified Taxable Assessed Valuation</u>
Life at Springs Estates Property (a)	Land & Improvements	\$ 42,689,974	8.14%
18 720 Acre LP	Land & Improvements	32,905,424	6.27%
Farouk Systems Inc.	Personal Property	20,207,362	3.85%
Sams Real Estate Business Trust	Land, Improvements & Personal Property	19,055,048	3.63%
Shami Enterprises LP	Land & Improvements	17,744,602	3.38%
Carmax Auto Superstores Inc.	Personal Property	15,017,662	2.86%
Camillo Properties Ltd.	Land & Improvements	13,388,298	2.55%
Realty Income Properties 4 LLC	Land & Improvements	12,895,375	2.46%
Life Storage LP	Land, Improvements & Personal Property	12,286,712	2.34%
FA TX MIT LLC	Personal Property	7,026,423	1.34%
Total		\$ 193,216,880	36.84%

(a) Owner of the Park North Apartments. See “INVESTMENT CONSIDERATIONS—Certain Tax Exemptions Provided for Affordable Housing.”

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 taxable 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 \$524,495,869. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the 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 “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements” and “INVESTMENT CONSIDERATIONS—Impact on District Tax Rates.”

Average Annual Debt Service Requirement (2027-2052)	\$479,083
\$0.10 Tax Rate on the 2025 Certified Taxable Assessed Valuation.....	\$498,271
Maximum Annual Debt Service Requirement (2052)	\$520,519
\$0.11 tax rate on the 2025 Certified Taxable Assessed Valuation	\$548,098

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 and any additional bonds payable from taxes which the District may hereafter issue (see “INVESTMENT CONSIDERATIONS—Future Debt”) and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully herein under “THE BONDS—Source of Payment.” Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and for the payment of certain contractual obligations. See “TAX DATA—Debt Service Tax” and “—Maintenance and Operations Tax.”

Property Tax Code and County-Wide Appraisal District

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

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Harris Central 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; travel trailers; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. For the 2025 tax year, the District has granted a \$5,000 tax exemption on residential homesteads for persons 65 years of age or older or disabled. The District may be required to offer such an exemption if a majority of voters approves it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 depending on the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who was entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed or fatally injured in the line of duty is, subject to certain conditions, entitled to a total tax exemption on such surviving spouse's residence homestead. If the surviving spouse changes homesteads, but does not remarry, then the amount of the exemption as of the last year of the first qualifying residential homestead is applicable to the subsequent homesteads. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See "TAX DATA."

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

Freeport Goods and Goods-in-Transit Exemptions: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for 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. Freeport goods are exempted from taxation by the District.

Tax Abatement

Harris County or the City of Houston may designate all or part of the area within the District as a reinvestment zone. Thereafter, Harris County, the District, and the City of Houston (if it were to annex the District), at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

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

The Property Tax Code permits land designated for agricultural use, open space, or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space, or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use, open space or timberland 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% physically damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

District and Taxpayer Remedies

Under certain circumstances taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State of Texas district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

The Property Tax Code sets forth 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 value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become

delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continues to accrue during the period of deferral.

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

Rollback of Operation and Maintenance Tax Rate

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

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

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

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

The District: A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. The District is designated as a "Developed 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 "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

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

INVESTMENT CONSIDERATIONS

General

The Bonds, 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.

Dependence on Principal Taxpayers

The ten principal taxpayers in the District represent \$193,216,880 (36.83%) of the 2025 Certified Taxable Assessed Valuation of \$524,495,869. 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 and similar taxing authorities 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 additional taxes or use other funds available for debt service purposes. However, the District has not covenanted in the Bond Resolution, 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 a housing authority.

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.

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 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 industry may have on property values within the District.

Extreme Weather Events

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

The greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015, including Hurricane Harvey which made landfall along the Texas Gulf Coast on August 26, 2017 and brought historic levels of rainfall during the successive four days. According to the Engineer, the District’s facilities did not sustain any material damage, there was no interruption of water and sewer service, and no homes or commercial improvements within the District experienced structural flooding or other material damage as a result of Hurricane Harvey.

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

Specific Flood Type Risks

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

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

Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2025 Certified Taxable Assessed Valuation of the District is \$524,495,869. After issuance of the Bonds, the maximum annual debt service requirement will be \$520,519 (2052) and the average annual debt service requirement will be \$479,083 (2027-2052). 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 \$0.11 per \$100 taxable assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum annual debt service requirement of \$520,519 and a tax rate of \$0.10 per \$100 taxable assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the average annual debt service requirement of \$479,083 (see “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements”). Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the 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. See “TAX DATA—Tax Adequacy for Debt Service” and “TAXING PROCEDURES.”

Future Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. The District’s voters have authorized a total of \$29,000,000 principal amount of unlimited tax bonds for the purpose of constructing and or acquiring a waterworks, sanitary sewer and storm sewer system and \$43,500,000 principal amount of unlimited tax bonds for refunding purposes. After issuance of the Bonds, \$3,415,000 principal amount of unlimited tax bonds will remain authorized but unissued and all of the authorized amount for refunding purposes will remain authorized but unissued. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The issuance of additional obligations may increase the District’s tax rate and adversely affect the security for, and the investment quality and value of, the Bonds.

The District does not employ any formula with respect to assessed valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. Further, the principal amount of unlimited tax bonds issued by the District for constructing and/or acquiring park and recreational facilities may not exceed one percent (1%) of the District’s certified taxable assessed valuation, 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 (1%) but not three percent (3%) of the value of the taxable property in the District. The issuance of additional bonds for water, sanitary sewer and drainage facilities and park and recreational facilities is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See “THE BONDS—Issuance of Additional Debt.”

Tax Collection Limitations

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

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.

Registered Owners' Remedies and Bankruptcy Limitations

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

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

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

A district may not be forced into bankruptcy involuntarily.

Environmental Regulations

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

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

Sanctions against a 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.

Changes in Tax Legislation

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

Continuing Compliance with Certain Covenants

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

Marketability of the Bonds

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

Risk Factors Related to the Purchase of Municipal Bond Insurance

The Underwriter has entered into an agreement with Build America Mutual Assurance Company (“BAM” or the “Insurer”) for the purchase of a municipal bond insurance policy (the “Policy”). At the time of entering into the agreement, the Insurer was rated “AA” (stable outlook) by S&P. See “MUNICIPAL BOND INSURANCE” and “APPENDIX B—Specimen Municipal Bond Insurance Policy.”

The long-term ratings on the Bonds are dependent in part on the financial strength of the insurer (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 Underwriter have 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 RATING” 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.

LEGAL MATTERS

Legal Opinions

Delivery of the Bonds will be accompanied by the opinion of the Attorney General of Texas as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas, payable from the proceeds of a direct and continuing annual ad valorem tax levied by the District, without legal limit as to rate or amount, upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Bond Counsel.

Bond Counsel has reviewed the statements and information contained in the OFFICIAL STATEMENT under the captions and subcaptions “THE BONDS” (except for the information under the caption “BOOK-ENTRY-ONLY SYSTEM,” as to which no opinion is expressed) and “CONTINUING DISCLOSURE OF INFORMATION” (except for the information under the subcaption “—Compliance with Prior Undertakings,” as to which no opinion is expressed), and such firm is of the opinion that the statements and information contained therein fairly and accurately reflect the provisions of the Bond Resolution; further, Bond Counsel has reviewed the statements and information contained in the OFFICIAL STATEMENT under the captions and subcaptions “TAXING PROCEDURES,” “LEGAL MATTERS—Legal Opinions” and “TAX MATTERS,” and such firm is of the opinion that the statements and information contained therein are correct as to matters of law.

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.

Bracewell LLP, also serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the District by McCall Parkhurst & Horton L.L.P., as Disclosure Counsel.

No Material Adverse Change

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

Certification as to No Litigation

At the time of payment for and delivery of the Bonds, the District will furnish the Underwriter a certificate, executed by an authorized representative of the District, acting in such person’s representative capacity, to the effect that to the best of such person’s knowledge and belief. No litigation of any nature has been filed or is pending to restrain the issuance and delivery of the Bonds, or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Bonds.

Forward-Looking Statements Disclaimer

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

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

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Bonds should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

Tax Exemption

In the opinion of Bracewell LLP, Houston, Texas, under existing law (i) interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the “Service”). The District has covenanted in the Bond Resolution that it will comply with these requirements.

Bond Counsel’s opinion will assume continuing compliance with the covenants of the Bond Resolution pertaining to those sections of the Code that affect the excludability of interest on the Bonds from gross income for federal income tax purposes and, in addition, will rely on representations by the District and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the District and such parties, which Bond Counsel has not independently verified. If the District fails to comply with the covenants in the Bond Resolution or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Bond Counsel will express no opinion as to the amount or timing of interest on the Bonds or, except as stated above, any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds. Certain actions may be taken or omitted subject to the terms and conditions set forth in the Bond Resolution upon the advice or with the approving opinion of Bond Counsel. Bond Counsel will express no opinion with respect to Bond Counsel’s ability to render an opinion that such actions, if taken or omitted, will not adversely affect the excludability of interest of the Bonds from gross income for federal income tax purposes.

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

Collateral Tax Consequences

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences, including but not limited to those noted below. Therefore, prospective purchasers of the Bonds should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

An “applicable corporation” (as defined in section 59(k) of the Code) may be subject to a 15% alternative minimum tax imposed under section 55 of the Code on its “adjusted financial statement income” (as defined in section 56A of the Code) for such taxable year. Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation’s “adjusted financial statement income,” ownership of the Bonds could subject certain corporations to alternative minimum tax consequences.

Ownership of tax-exempt obligations also may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the “branch profits tax” on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds.

Prospective purchasers of the Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium

If the issue price of a maturity of the Bonds exceeds the stated redemption price payable at maturity of such Bonds, such Bonds (the "Premium Bonds") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

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

Tax Accounting Treatment of Original Issue Discount Bonds

If the issue price of a maturity of the Bonds is less than the stated redemption price payable at maturity of such Bonds (the "OID Bonds") OID Bond, the difference between (i) the amount payable at the maturity of each OID Bond, and (ii) the initial offering price to the public of such OID Bond constitutes original issue discount with respect to such OID Bond in the hands of any owner who has purchased such OID Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such OID Bond equal to that portion of the amount of such original issue discount allocable to the period that such OID Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions "—Tax Exemption," "—Collateral Tax Consequences," and "—Tax Legislative Changes" generally apply, and should be considered in connection with the discussion in this portion of the OFFICIAL STATEMENT.

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

The foregoing discussion assumes that (a) the Underwriter has purchased the Bonds for contemporaneous sale to the public and (b) all of the OID Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the cover page of this OFFICIAL STATEMENT. Neither the District nor Bond Counsel has made any investigation or offers any comfort that the OID Bonds will be offered and sold in accordance with such assumptions.

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

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

Purchase of Tax-Exempt Obligations by Financial Institutions

Section 265(a) of the Code provides, in general, that a deduction for interest on indebtedness incurred to acquire or carry tax-exempt obligations is disallowed. Section 265(b) of the Code provides a specific complete disallowance of any deduction by a financial institution of its pro rata interest expense to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. Section 265(b) also provides an exception for financial institutions for tax-exempt obligations that are properly designated or deemed designated by an issuer as "qualified tax-exempt obligations."

The Bonds have been designated as “qualified tax-exempt obligations” based, in part, on the District’s representation that the amount of the Bonds, when added to the amount of all other tax-exempt obligations (not including private activity bonds other than “qualified 501(c)(3) bonds” or any obligations issued to currently refund any obligation to the extent the amount of the refunding obligation did not exceed the outstanding amount of the refunded obligation) issued or reasonably anticipated to be issued by or on behalf of the District during 2026, is not expected to exceed \$10,000,000. Further, the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in “qualified tax-exempt obligations” (including the Bonds) during 2026.

Notwithstanding the designation of the Bonds as “qualified tax-exempt obligations” under this exception, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

Tax Legislative Changes

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any recently-enacted, proposed, pending or future legislation.

MUNICIPAL BOND RATING

It is expected that S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) will assign a municipal bond rating of “AA” (stable outlook) to this issue of Bonds with the understanding that upon issuance and delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company (“BAM” or the “Insurer”). Moody’s Investors Service (“Moody’s”) has assigned an underlying rating of “A2” to the Bonds. An explanation of the ratings may be obtained from S&P and Moody’s. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance,” “MUNICIPAL BOND INSURANCE” and “APPENDIX B.”

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) will issue its municipal bond insurance policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX B to this OFFICIAL STATEMENT.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM. The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.bambonds.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM’s financial strength is rated “AA/Stable” by S&P. An explanation of the significance of the rating and current reports may be obtained from S&P at <https://www.spglobal.com/en/>. The rating of BAM should be evaluated independently. The rating reflects S&P’s current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2025 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$514.1 million, \$290 million and \$224 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.bambonds.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this OFFICIAL STATEMENT or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "MUNICIPAL BOND INSURANCE."

Additional Information Available from BAM

Credit Insights Videos: For certain BAM-insured issues, BAM produces and posts a brief credit insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at <https://bambonds.com/insights/#video>. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles: Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any presale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at <https://bambonds.com/credit-profiles>. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers: The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

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

Financial Advisor

Masterson Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the OFFICIAL STATEMENT, 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 DISTRICT” – Vogler & Spencer Engineering, Inc. (“Engineer”), and Records of the District (“Records”); “THE SYSTEM” – Engineer; “FINANCIAL STATEMENT CONCERNING THE DISTRICT (UNAUDITED)” – Harris Central Appraisal District, Wheeler & Associates, Inc., Tax Assessor/Collector and District Data Services, Inc., Bookkeeper; “FINANCIAL STATEMENT CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt” – Municipal Advisory Council of Texas and Financial Advisor; “TAX DATA” – Harris Central Appraisal District and Wheeler & Associates, Inc., Tax Assessor/Collector; “MANAGEMENT OF THE DISTRICT” - District Directors; “FINANCIAL STATEMENT CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements” – Financial Advisor; “THE BONDS,” “TAXING PROCEDURES,” “LEGAL MATTERS,” “CONTINUING DISCLOSURE OF INFORMATION” – Bracewell LLP.

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

Consultants

In approving this OFFICIAL STATEMENT, the District has relied upon the following consultants.

Engineer: The information contained in this OFFICIAL STATEMENT relating to engineering matters and to the description of the District’s facilities and in particular that information included in the sections entitled “THE DISTRICT” and “THE SYSTEM” has been provided by Vogler & Spencer Engineering, Inc., and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Appraisal District: The information contained in this OFFICIAL STATEMENT relating to the assessed valuations has been provided by the 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 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 District’s financial statements as of and for the fiscal year ended September 30, 2025 have been audited by Forvis Mazars LLP, independent auditors, as stated in their report appearing herein. See “APPENDIX A” for a copy of the District’s September 30, 2025, audited financial statements.

Updating the Official Statement

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

Certification of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data to annually to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the District. The financial information and operating data which will be provided with respect to the District and to be updated annually is found in APPENDIX A (Independent Auditor’s Report and Financial Statements of the District and certain Supplemental Schedules.) The District will update and provide this information within six (6) months after the end of each fiscal year ending in or after 2026.

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

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

Specified Event Notices

The District will provide timely notices of certain specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under

the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms “obligated person” and “financial obligation” when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the “Rule”). The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operational data, or financial statements in accordance with its agreement described under “—Annual Reports.”

Availability of Information from MSRB

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

Limitations and Amendments

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

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

Compliance with Prior Undertakings

During the last five years, the District has complied in all material respects with its previous continuing disclosure agreements except as follows. The District filed its Annual Filing for its fiscal year ended September 30, 2021 on February 23, 2026, after its six-month deadline of March 31, 2022. The District filed its Annual Filing for the fiscal years ended September 30, 2022 and September 30, 2023, however, tax data about the principal taxpayers was inadvertently excluded. The District has adopted procedures to ensure that future filings will be made on a timely basis and that the required information is not omitted.

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. 221, as of the date shown on the cover page.

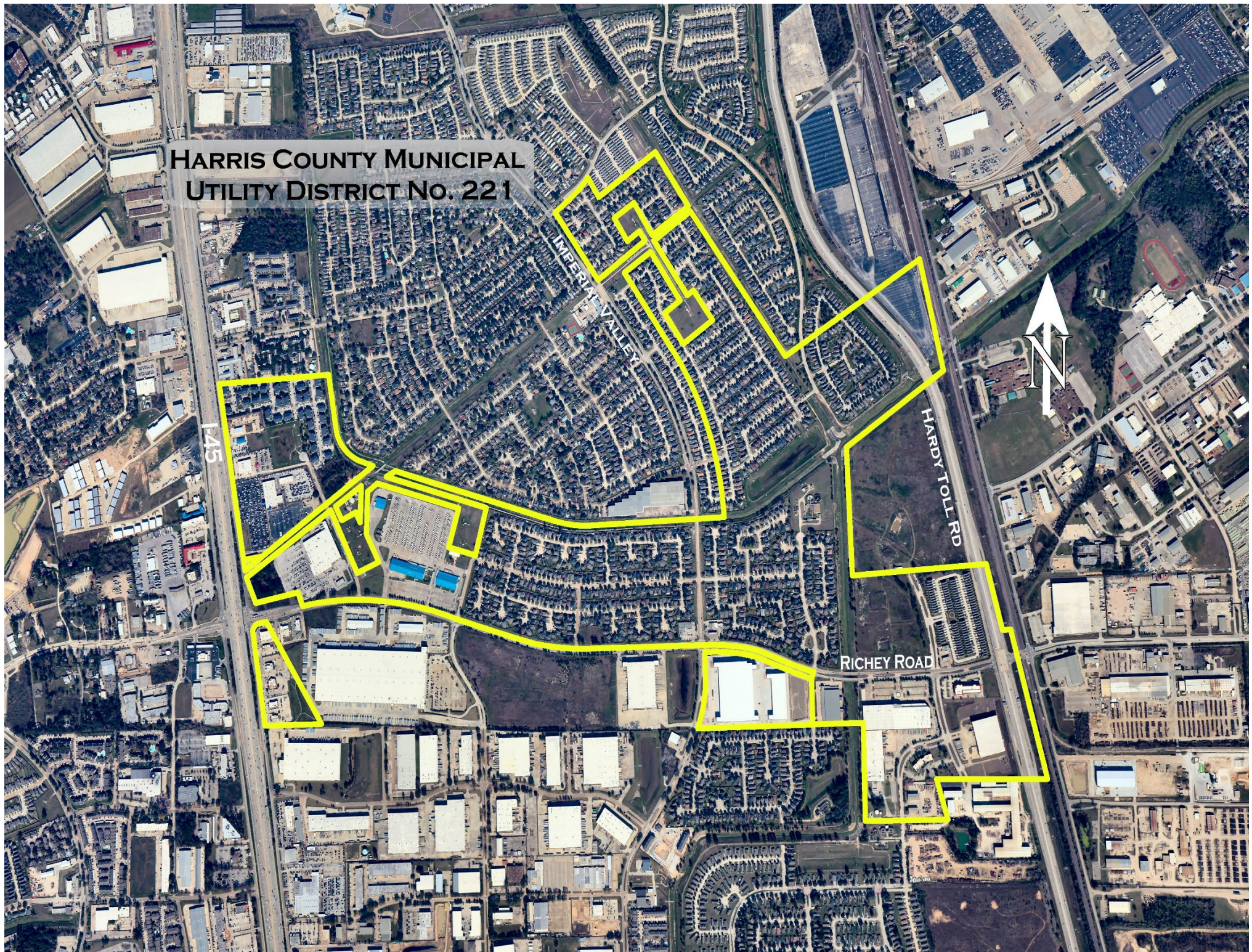
/s/ Edward C. Stucey
President, Board of Directors

ATTEST:

/s/ Stephanie Woods
First Assistant Secretary, Board of Directors

AERIAL LOCATION MAP
(Approximate boundaries of the District as of January 2026)

**HARRIS COUNTY MUNICIPAL
UTILITY DISTRICT No. 221**



I-45

INFERNO VALLEY

HARDY TOLL RD

RICHEY ROAD



PHOTOGRAPHS OF THE DISTRICT
(Taken February 2026)













APPENDIX A

Independent Auditor's Report and Financial Statements for the Fiscal Year Ended September 30, 2025



**Harris County Municipal
Utility District No. 221
Harris County, Texas**

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

September 30, 2025



Harris County Municipal Utility District No. 221
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September 30, 2025

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Independent Auditor's Report

Board of Directors
Harris County Municipal Utility District No. 221
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. 221 (District), as of and for the year ended September 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 September 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
March 9, 2026**

**Harris County Municipal Utility District No. 221
Management's Discussion and Analysis
Year Ended September 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. 221
Management’s Discussion and Analysis
Year Ended September 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	\$ 7,241,783	\$ 6,290,933
Capital assets	7,650,291	7,800,404
Total assets	<u>\$ 14,892,074</u>	<u>\$ 14,091,337</u>
Long-term liabilities	\$ -	\$ 156,600
Other liabilities	1,057,223	871,847
Total liabilities	<u>1,057,223</u>	<u>1,028,447</u>
Net position		
Net investment in capital assets	7,638,518	7,577,804
Restricted	70,235	149,660
Unrestricted	6,126,098	5,335,426
Total net position	<u>\$ 13,834,851</u>	<u>\$ 13,062,890</u>

**Harris County Municipal Utility District No. 221
Management’s Discussion and Analysis
Year Ended September 30, 2025**

The total net position of the District increased by \$771,961, or about 6%. The majority of the increase in net position is related to property taxes, sales tax rebates, charges for services, and other revenues exceeding services and depreciation expenses.

Summary of Changes in Net Position

	<u>2025</u>	<u>2024</u>
Revenues		
Property taxes	\$ 1,549,061	\$ 1,613,285
Sales tax rebates	383,601	384,654
Charges for services	2,273,304	2,330,889
Other revenues	<u>315,547</u>	<u>378,074</u>
Total revenues	<u>4,521,513</u>	<u>4,706,902</u>
Expenses		
Services	3,457,919	3,527,171
Depreciation	287,700	281,267
Debt service	<u>3,933</u>	<u>25,403</u>
Total expenses	<u>3,749,552</u>	<u>3,833,841</u>
Change in net position	771,961	873,061
Net position, beginning of year	<u>13,062,890</u>	<u>12,189,829</u>
Net position, end of year	<u>\$ 13,834,851</u>	<u>\$ 13,062,890</u>

Financial Analysis of the District’s Funds

The District’s combined fund balances as of the end of the fiscal year ended September 30, 2025 were \$6,091,808, an increase of \$760,006 from the prior year.

The general fund’s fund balance increased by \$804,567 because property tax, sales tax rebates, and service revenues and investment income exceeded service operations expenditures and the repayment of long-term bonded debt.

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

The debt service fund’s fund balance decreased by \$44,561 due to a transfer to the general fund.

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 property tax and water service revenues and regional water fee and contracted services expenditures being greater than anticipated and purchased services, professional fees, and utilities expenditures being less than anticipated. In addition, principal repayment of bonds was not included in the budget. The fund balance as of September 30, 2025 was expected to be \$5,227,306, and the actual end-of-year fund balance was \$6,021,573.

**Harris County Municipal Utility District No. 221
Management’s Discussion and Analysis
Year Ended September 30, 2025**

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	\$ 3,098,369	\$ 3,098,369
Construction in progress	42,590	33,663
Water facilities	1,589,764	1,687,727
Wastewater facilities	<u>2,919,568</u>	<u>2,980,645</u>
 Total capital assets	 <u>\$ 7,650,291</u>	 <u>\$ 7,800,404</u>

During the current year, there were the following additions to capital assets:

Construction in progress related to water plant No. 1 chloramine conversion and metering station, surface water transmission line, nonpotable water system, wastewater treatment facility blower replacement, and clarifier No. 1 rehabilitation	\$ 42,590
Wastewater treatment facility aeration basin fine bubble membrane replacement	<u>94,997</u>
 Total additions to capital assets	 <u>\$ 137,587</u>

Debt

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

Long-term debt payable, beginning of year	\$ 156,600
Decreases in long-term debt	<u>(156,600)</u>
 Long-term debt payable, end of year	 <u>\$ -</u>

At September 30, 2025, the District had \$11,015,000 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.

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 of Houston (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 for full purposes without the District’s consent, except as set forth below.

**Harris County Municipal Utility District No. 221
Management's Discussion and Analysis
Year Ended September 30, 2025**

Strategic Partnership Agreement

The District entered into a Strategic Partnership Agreement with the City to provide the terms and conditions under which services would be provided and funded by the parties under which the District would continue to exist for an extended period if the land within the District would be annexed for full or limited purposes by the City. The terms of any such agreement would be determined by the City and the District and could provide for the conversion of a limited-purpose annexation to a general-purpose annexation after 30 years.

Harris County Municipal Utility District No. 221
Statement of Net Position and Governmental Funds Balance Sheet
September 30, 2025

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets						
Cash	\$ 424,045	\$ 165,178	\$ -	\$ 589,223	\$ -	\$ 589,223
Short-term investments	6,164,785	-	-	6,164,785	-	6,164,785
Receivables						
Property taxes	34,283	-	-	34,283	-	34,283
Service accounts	132,238	-	-	132,238	-	132,238
Sales tax rebates	63,320	-	-	63,320	32,107	95,427
Accrued penalty and interest	-	-	-	-	26,362	26,362
Due from others	13,292	-	-	13,292	-	13,292
Interfund receivables	145,682	96,170	-	241,852	(241,852)	-
Due from participants	-	157,137	-	157,137	-	157,137
Prepaid expenditures	29,036	-	-	29,036	-	29,036
Capital assets (net of accumulated depreciation)						
Land and improvements	-	-	-	-	3,098,369	3,098,369
Construction in progress	-	-	-	-	42,590	42,590
Infrastructure	-	-	-	-	4,509,332	4,509,332
Total Assets	<u>\$ 7,006,681</u>	<u>\$ 418,485</u>	<u>\$ -</u>	<u>\$ 7,425,166</u>	<u>\$ 7,466,908</u>	<u>\$ 14,892,074</u>

**Harris County Municipal Utility District No. 221
Statement of Net Position and Governmental Funds Balance Sheet
September 30, 2025**

(Continued)

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Liabilities						
Accounts payable	\$ 319,525	\$ 171,095	\$ -	\$ 490,620	\$ -	\$ 490,620
Customer deposits	173,759	-	-	173,759	-	173,759
Due to other districts	2,500	120,719	-	123,219	-	123,219
Unearned tap connection fees	269,625	-	-	269,625	-	269,625
Interfund payables	185,416	56,436	-	241,852	(241,852)	-
Total Liabilities	<u>950,825</u>	<u>348,250</u>	<u>-</u>	<u>1,299,075</u>	<u>(241,852)</u>	<u>1,057,223</u>
Deferred Inflows of Resources						
Deferred property tax revenues	34,283	-	-	34,283	(34,283)	-
Fund Balances/Net Position						
Fund balances						
Nonspendable, prepaid expenditures	29,036	-	-	29,036	(29,036)	-
Committed, wastewater collection and treatment	-	70,235	-	70,235	(70,235)	-
Unassigned	5,992,537	-	-	5,992,537	(5,992,537)	-
Total fund balances	<u>6,021,573</u>	<u>70,235</u>	<u>-</u>	<u>6,091,808</u>	<u>(6,091,808)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 7,006,681</u>	<u>\$ 418,485</u>	<u>\$ -</u>	<u>\$ 7,425,166</u>		
Net position						
Net investment in capital assets					7,638,518	7,638,518
Restricted for plant operations					70,235	70,235
Unrestricted					6,126,098	6,126,098
Total net position					<u>\$ 13,834,851</u>	<u>\$ 13,834,851</u>

Harris County Municipal Utility District No. 221
Statement of Activities and Governmental Funds Revenues,
Expenditures, and Changes in Fund Balances
Year Ended September 30, 2025

	General Fund	Special Revenue Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 1,547,664	\$ -	\$ -	\$ 1,547,664	\$ 1,397	\$ 1,549,061
Sales tax rebates	383,896	-	-	383,896	(295)	383,601
Water service	893,509	-	-	893,509	-	893,509
Sewer service	584,030	-	-	584,030	-	584,030
Bulk water sales	45,697	-	-	45,697	(45,697)	-
Service to other districts	-	1,618,411	-	1,618,411	(822,646)	795,765
Penalty and interest	39,875	110	-	39,985	1,699	41,684
Investment income	256,088	-	-	256,088	-	256,088
Other income	17,775	-	-	17,775	-	17,775
Total Revenues	3,768,534	1,618,521	-	5,387,055	(865,542)	4,521,513
Expenditures/Expenses						
Service operations						
Purchased services	693,450	45,697	-	739,147	(718,812)	20,335
Regional water fee	569,780	-	-	569,780	-	569,780
Professional fees	188,435	4,820	-	193,255	-	193,255
Contracted services	576,025	145,392	-	721,417	-	721,417
Utilities	79,371	96,968	-	176,339	-	176,339
Repairs and maintenance	592,167	1,042,734	-	1,634,901	(68,220)	1,566,681
Other expenditures	123,376	81,936	-	205,312	-	205,312
Tap connections	4,800	-	-	4,800	-	4,800
Capital outlay	17,924	269,194	-	287,118	(287,118)	-
Depreciation	-	-	-	-	287,700	287,700
Debt service						
Principal retirement	160,000	-	-	160,000	(160,000)	-
Interest and fees	3,200	-	-	3,200	733	3,933
Total Expenditures/Expenses	3,008,528	1,686,741	-	4,695,269	(945,717)	3,749,552
Excess (Deficiency) of Revenues Over Expenditures	760,006	(68,220)	-	691,786	80,175	
Other Financing Sources (Uses)						
Interfund transfers in (out)	44,561	-	(44,561)	-	-	
Insurance proceeds	-	68,220	-	68,220	(68,220)	
Total Other Financing Sources (Uses)	44,561	68,220	(44,561)	68,220	(68,220)	
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	804,567	-	(44,561)	760,006	(760,006)	
Change in Net Position					771,961	771,961
Fund Balances/Net Position						
Beginning of year	5,217,006	70,235	44,561	5,331,802	-	13,062,890
End of year	<u>\$ 6,021,573</u>	<u>\$ 70,235</u>	<u>\$ -</u>	<u>\$ 6,091,808</u>	<u>\$ -</u>	<u>\$ 13,834,851</u>

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

Harris County Municipal Utility District No. 221 (District) was created by an order of the Texas Water Commission, now known as the Texas Commission on Environmental Quality (Commission), effective January 28, 1982, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own, and operate waterworks, wastewater, and drainage facilities and to provide such facilities and services to the customers of the District. The District also provides solid waste disposal service.

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 which 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 that 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. 221
Notes to Financial Statements
September 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.

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

Harris County Municipal Utility District No. 221
Notes to Financial Statements
September 30, 2025

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.

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 September 30, 2025 include collections during the current period or within 60 days of year-end related to the 2024 and prior years' tax levies.

Harris County Municipal Utility District No. 221
Notes to Financial Statements
September 30, 2025

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 September 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.

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 premiums and discounts on bonds 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.

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 of the items on the following page.

Harris County Municipal Utility District No. 221
Notes to Financial Statements
September 30, 2025

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 7,650,291
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	34,283
Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the funds.	26,362
Certain sales tax rebates are not receivable in the current period and are not reported in the funds.	<u>32,107</u>
Adjustment to fund balances to arrive at net position.	<u><u>\$ 7,743,043</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.	\$ 760,006
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 depreciation expense and noncapitalized costs exceeded capital outlay expenditures in the current period.	(150,113)
Governmental funds report principal payments on debt as expenditures. These transactions, however, do not have any effect on net position.	160,000
Revenues that do not provide current financial resources are not reported as revenues for the funds but are reported as revenues in the statement of activities.	2,801
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>(733)</u>
Change in net position of governmental activities.	<u><u>\$ 771,961</u></u>

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.

Harris County Municipal Utility District No. 221
Notes to Financial Statements
September 30, 2025

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 September 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 and Texas CLASS, external investment pools that are not registered with the Securities and Exchange Commission. The State Comptroller of Public Accounts of the State of Texas has oversight of TexPool. A Board of Trustees, elected by the participants, has oversight of Texas CLASS. The District’s investments may be redeemed at any time. Texas CLASS attempts to minimize its exposure to market and credit risk through the use of various strategies and credit monitoring techniques and limits its investments in any issuer to the top two ratings issued by nationally recognized statistical rating organizations. The District’s investments in Texas CLASS are reported at net asset value, and the District’s investments in TexPool are reported at amortized cost.

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

Type	Maturities in Years				
	Amortized Cost/Fair Value	Less Than 1	1–5	6–10	More Than 10
TexPool	\$ 2,408,676	\$ 2,408,676	\$ -	\$ -	\$ -
Texas CLASS	<u>3,756,109</u>	<u>3,756,109</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 6,164,785</u>	<u>\$ 6,164,785</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 mortgage obligations. The external investment pools are presented as investments with a maturity of less than one year because they are 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 September 30, 2025, the District’s investments in TexPool and Texas CLASS were rated “AAAm” by Standard & Poor’s.

Harris County Municipal Utility District No. 221
Notes to Financial Statements
September 30, 2025

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 September 30, 2025 as follows:

Carrying value	
Deposits	\$ 589,223
Investments	<u>6,164,785</u>
Total	<u>\$ 6,754,008</u>

Investment Income

Investment income of \$256,088 for the year ended September 30, 2025 consisted of interest income.

Fair Value Measurements

The District has the following recurring fair value measurements at September 30, 2025:

- Pooled investments of \$3,756,109 are valued at fair value per share of the pool's underlying portfolio.

Note 3. Capital Assets

A summary of changes in capital assets for the year ended September 30, 2025 is as follows:

<u>Governmental Activities</u>	<u>Balances, Beginning of Year</u>	<u>Additions</u>	<u>Reclassi- fications</u>	<u>Balances, End of Year</u>
Capital assets, non-depreciable				
Land and improvements	\$ 3,098,369	\$ -	\$ -	\$ 3,098,369
Construction in progress	<u>33,663</u>	<u>42,590</u>	<u>(33,663)</u>	<u>42,590</u>
Total capital assets, non-depreciable	<u>3,132,032</u>	<u>42,590</u>	<u>(33,663)</u>	<u>3,140,959</u>
Capital assets, depreciable				
Water production and distribution facilities	4,182,846	-	-	4,182,846
Wastewater collection and treatment facilities	<u>8,187,205</u>	<u>94,997</u>	<u>33,663</u>	<u>8,315,865</u>
Total capital assets, depreciable	<u>12,370,051</u>	<u>94,997</u>	<u>33,663</u>	<u>12,498,711</u>
Less accumulated depreciation				
Water production and distribution facilities	(2,495,119)	(97,963)	-	(2,593,082)
Wastewater collection and treatment facilities	<u>(5,206,560)</u>	<u>(189,737)</u>	<u>-</u>	<u>(5,396,297)</u>
Total accumulated depreciation	<u>(7,701,679)</u>	<u>(287,700)</u>	<u>-</u>	<u>(7,989,379)</u>
Total governmental activities, net	<u>\$ 7,800,404</u>	<u>\$ (150,113)</u>	<u>\$ -</u>	<u>\$ 7,650,291</u>

Harris County Municipal Utility District No. 221
Notes to Financial Statements
September 30, 2025

Note 4. Long-Term Liabilities

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

Governmental Activities	Balances, Beginning of Year	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable				
General obligation bonds	\$ 160,000	\$ 160,000	\$ -	\$ -
Less discounts on bonds	3,400	3,400	-	-
Total governmental activities long-term liabilities	<u>\$ 156,600</u>	<u>\$ 156,600</u>	<u>\$ -</u>	<u>\$ -</u>
Bonds voted			\$ 29,000,000	
Bonds sold			17,985,000	
Refunding bonds voted			43,500,000	
Refunding bond authorization used			-	

Note 5. Maintenance Taxes

At an election held February 27, 1982, 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 September 30, 2025, the District levied an ad valorem maintenance tax at the rate of \$0.3050 per \$100 of assessed valuation, which resulted in a tax levy of \$1,550,761 on the taxable valuation of \$508,448,653 for the 2024 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 6. Strategic Partnership Agreement

Effective December 2, 2002, and as amended November 16, 2012, the District and the City of Houston (City) entered into a Strategic Partnership Agreement (Agreement) under which the City annexed certain tracts of land (tracts) 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 tracts. As consideration for the sales tax payments 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 \$383,601 in revenues related to the Agreement.

Note 7. Waste Disposal Contract

On June 1, 1982, the District entered into a waste disposal contract with Harris County Municipal Utility District No. 154 (District No. 154) for the construction and operation of a 1,000,000 gallons-per-day (gpd) sewage treatment plant for a term of 40 years. Under the terms of the contract, each district paid 50% of the construction costs and is entitled to utilize 50% of the plant capacity. On October 28, 2003, the contract was amended due to the expansion of the plant to 1,800,000 gpd, and the term of the contract was extended for 40 years from the

Harris County Municipal Utility District No. 221
Notes to Financial Statements
September 30, 2025

amendment date. After the expansion, the District owns 44.5% of the capacity and District No. 154 owns 55.5% of the capacity. The District is to maintain and operate the plant, and District No. 154 has agreed to pay its pro rata share of costs at rates agreed upon by the districts. The allocation of operation and maintenance expenditures is based on the number of connections in the representative districts. Certain costs are allocated based on capacity.

In a prior year, the District sold 40% of its share of sewer capacity to District No. 154 for \$490,000.

The District has contributed \$70,235 to establish a three-month operating reserve. The District's contribution is shown as fund balance in the special revenue fund. In addition, District No. 154 has deposited \$120,719, which is reflected as a liability in the financial statements.

Transactions for the current year in the special revenue fund are summarized below:

	<u>The District</u>	<u>District No. 154</u>	<u>Total</u>
Due from participants, beginning of year	\$ 70,240	\$ 393,131	\$ 463,371
Billings to participants	673,115	945,296	1,618,411
Collections from participants	<u>(647,185)</u>	<u>(1,181,290)</u>	<u>(1,828,475)</u>
Due from participants, end of year	<u>\$ 96,170</u>	<u>\$ 157,137</u>	<u>\$ 253,307</u>

The District's share is reported as an interfund payable.

Note 8. Contract With the City of Houston

On July 11, 2003, the District entered into a Water Supply and Groundwater Reduction Plan Wholesale Agreement (GRP Agreement) with the City, effective until December 31, 2040, unless terminated sooner pursuant to the terms of the GRP Agreement. Per the GRP Agreement, the City will sell and deliver to the District treated water at the rate set by ordinance by the City for contract-treated water customers. As of September 30, 2025, the rate was \$2.68 per thousand gallons. During the current year, the District incurred \$569,780 in costs related to the GRP Agreement.

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 carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts in the past three fiscal years.

Required Supplementary Information

**Harris County Municipal Utility District No. 221
 Budgetary Comparison Schedule – General Fund
 Year Ended September 30, 2025**

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Property taxes	\$ 618,000	\$ 1,547,664	\$ 929,664
Sales tax rebates	420,000	383,896	(36,104)
Water service	785,000	893,509	108,509
Sewer service	560,000	584,030	24,030
Bulk water sales	-	45,697	45,697
Penalty and interest	41,000	39,875	(1,125)
Investment income	265,000	256,088	(8,912)
Other income	1,500	17,775	16,275
Total Revenues	<u>2,690,500</u>	<u>3,768,534</u>	<u>1,078,034</u>
Expenditures			
Service operations			
Purchased services	765,000	693,450	71,550
Regional water fee	250,000	569,780	(319,780)
Professional fees	269,000	188,435	80,565
Contracted services	499,000	576,025	(77,025)
Utilities	186,000	79,371	106,629
Repairs and maintenance	596,000	592,167	3,833
Other expenditures	115,200	123,376	(8,176)
Tap connections	-	4,800	(4,800)
Capital outlay	-	17,924	(17,924)
Debt service			
Principal retirement	-	160,000	(160,000)
Interest and fees	-	3,200	(3,200)
Total Expenditures	<u>2,680,200</u>	<u>3,008,528</u>	<u>(328,328)</u>
Excess of Revenues Over Expenditures	10,300	760,006	749,706
Other Financing Sources			
Interfund transfers in	-	44,561	44,561
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	10,300	804,567	794,267
Fund Balance, Beginning of Year	<u>5,217,006</u>	<u>5,217,006</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 5,227,306</u></u>	<u><u>\$ 6,021,573</u></u>	<u><u>\$ 794,267</u></u>

**Harris County Municipal Utility District No. 221
 Budgetary Comparison Schedule – Special Revenue Fund
 Year Ended September 30, 2025**

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Service to other districts	\$ 1,600,200	\$ 1,618,411	\$ 18,211
Penalty and interest	-	110	110
Total Revenues	<u>1,600,200</u>	<u>1,618,521</u>	<u>18,321</u>
Expenditures			
Service operations			
Purchased services	-	45,697	(45,697)
Professional fees	40,500	4,820	35,680
Contracted services	147,200	145,392	1,808
Utilities	148,000	96,968	51,032
Repairs and maintenance	1,207,000	1,042,734	164,266
Other expenditures	57,500	81,936	(24,436)
Capital outlay	-	269,194	(269,194)
Total Expenditures	<u>1,600,200</u>	<u>1,686,741</u>	<u>(86,541)</u>
Deficiency of Revenues Over Expenditures	-	(68,220)	(68,220)
Other Financing Sources			
Insurance proceeds	-	68,220	68,220
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	-	-	-
Fund Balance, Beginning of Year	<u>70,235</u>	<u>70,235</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 70,235</u></u>	<u><u>\$ 70,235</u></u>	<u><u>\$ -</u></u>

**Harris County Municipal Utility District No. 221
Notes to Required Supplementary Information
September 30, 2025**

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 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 budgets of the general fund and the special revenue fund were 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. 221
Other Schedules Included Within This Report
September 30, 2025**

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

- Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 11–19
- Schedule of Services and Rates
- Schedule of General Fund Expenditures
- Schedule of Temporary Investments
- Analysis of Taxes Levied and Receivable
- Schedule of Long-Term Debt Service Requirements by Years – Not Applicable
- Changes in Long-Term Bonded Debt
- Comparative Schedules of Revenues and Expenditures – General Fund and Debt Service Fund –
Five Years
- Board Members, Key Personnel, and Consultants

**Harris County Municipal Utility District No. 221
 Schedule of Services and Rates
 Year Ended September 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 checked="" 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:	\$ 17.50	5,000	N	\$ 1.50	5,001 to 15,000
				\$ 1.75	15,001 to 25,000
				\$ 2.00	25,001 to 50,000
				\$ 2.50	50,001 to No Limit
Wastewater:	\$ 32.50	5,000	N	\$ 1.00	5,001 No Limit
Regional water fee:	\$ 2.948	-	N	\$ 2.948	1,001 to No Limit

Does the District employ winter averaging for wastewater usage?

Yes ___ No X

Total charges per 10,000 gallons usage (including fees):

Water \$ 54.48

Wastewater \$ 37.50

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"	1,303	1,298	x1.0	1,298
1"	17	17	x2.5	43
1 1/2"	10	8	x5.0	40
2"	24	22	x8.0	176
3"	-	-	x15.0	-
4"	3	3	x25.0	75
6"	3	3	x50.0	150
8"	2	2	x80.0	160
10"	-	-	x115.0	-
Total water	1,362	1,353		1,942
Total wastewater	1,330	1,324	x1.0	1,324

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

Gallons pumped into the system:

263,965

Gallons billed to customers:

258,279

Water accountability ratio (gallons billed/gallons pumped):

97.85%

*"ESFC" means equivalent single-family connections

**Harris County Municipal Utility District No. 221
Schedule of General Fund Expenditures
Year Ended September 30, 2025**

Personnel (including benefits)		\$ -
Professional Fees		
Auditing	\$ 28,000	
Legal	104,474	
Engineering	55,961	
Financial advisor	<u>-</u>	188,435
Purchased Services for Resale		
Bulk water and wastewater service purchases		693,450
Regional Water Fee		569,780
Contracted Services		
Bookkeeping	24,294	
General manager	-	
Appraisal district	11,073	
Tax collector	48,665	
Security	146,325	
Other contracted services	<u>79,506</u>	309,863
Utilities		79,371
Repairs and Maintenance		592,167
Administrative Expenditures		
Directors' fees	19,797	
Office supplies	13,288	
Insurance	25,775	
Other administrative expenditures	<u>64,516</u>	123,376
Capital Outlay		
Capitalized assets	17,924	
Expenditures not capitalized	<u>-</u>	17,924
Tap Connection Expenditures		4,800
Solid Waste Disposal		266,162
Fire Fighting		-
Parks and Recreation		-
Other Expenditures		<u>163,200</u>
Total Expenditures		<u><u>\$ 3,008,528</u></u>

**Harris County Municipal Utility District No. 221
Schedule of Temporary Investments
September 30, 2025**

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Face Amount</u>	<u>Accrued Interest Receivable</u>
General Fund				
TexPool	4.18%	Demand	\$ 2,408,676	\$ -
Texas CLASS	4.26%	Demand	<u>3,756,109</u>	<u>-</u>
Totals			<u>\$ 6,164,785</u>	<u>\$ -</u>

**Harris County Municipal Utility District No. 221
 Analysis of Taxes Levied and Receivable
 Year Ended September 30, 2025**

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>
Receivable, Beginning of Year	\$ 20,018	\$ 12,868
Additions and corrections to prior years' taxes	(1,518)	(182)
Adjusted Receivable, Beginning of Year	<u>18,500</u>	<u>12,686</u>
2024 Original Tax Levy	1,479,597	-
Additions and corrections	71,164	-
Adjusted tax levy	<u>1,550,761</u>	<u>-</u>
Total to Be Accounted For	1,569,261	12,686
Tax collections: Current year	(1,539,294)	-
Prior years	(6,573)	(1,797)
Receivable, End of Year	<u>\$ 23,394</u>	<u>\$ 10,889</u>
Receivable, by Years		
2024	\$ 11,467	\$ -
2023	4,738	-
2022	2,488	2,152
2021	685	705
2020	731	731
2019	513	569
2018	697	767
2017	674	776
2016	441	529
2015	11	17
2014	118	184
2013 and prior	<u>831</u>	<u>4,459</u>
Receivable, End of Year	<u>\$ 23,394</u>	<u>\$ 10,889</u>

**Harris County Municipal Utility District No. 221
 Analysis of Taxes Levied and Receivable
 Year Ended September 30, 2025**

(Continued)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Property Valuations				
Land	\$ 112,746,475	\$ 104,771,831	\$ 80,204,663	\$ 76,600,162
Improvements	376,387,963	371,215,870	340,581,248	283,672,992
Personal property	109,382,217	110,242,573	99,523,408	90,463,897
Exemptions	<u>(90,068,002)</u>	<u>(79,026,161)</u>	<u>(65,780,128)</u>	<u>(62,022,028)</u>
Total Property Valuations	<u>\$ 508,448,653</u>	<u>\$ 507,204,113</u>	<u>\$ 454,529,191</u>	<u>\$ 388,715,023</u>
Tax Rates per \$100 Valuation				
Debt service tax rates	\$ -	\$ -	\$ 0.1600	\$ 0.1800
Maintenance tax rates*	<u>0.3050</u>	<u>0.3200</u>	<u>0.1850</u>	<u>0.1750</u>
Total Tax Rates per \$100 Valuation	<u>\$ 0.3050</u>	<u>\$ 0.3200</u>	<u>\$ 0.3450</u>	<u>\$ 0.3550</u>
Tax Levy	<u>\$ 1,550,761</u>	<u>\$ 1,623,046</u>	<u>\$ 1,568,117</u>	<u>\$ 1,379,932</u>
Percent of Taxes Collected to Taxes Levied**	<u>99%</u>	<u>99%</u>	<u>99%</u>	<u>99%</u>

*Maximum tax rate approved by voters: \$1.00 on February 27, 1982

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

Harris County Municipal Utility District No. 221
Changes in Long-Term Bonded Debt
Year Ended September 30, 2025

	<u>Bond Issue</u> <u>Series 2006</u>
Interest rate	4.00%
Dates interest payable	November 1/ May 1
Maturity date	
Bonds outstanding, beginning of current year	\$ 160,000
Retirements, principal	<u>160,000</u>
Bonds outstanding, end of current year	<u>\$ -</u>
Interest paid during current year	<u>\$ 3,200</u>
Paying agent's name and address	

Series 2006 – The Bank of New York Mellon Trust Company, N.A., Houston, Texas

Bond authority	<u>Tax Bonds</u>	<u>Other Bonds</u>	<u>Refunding</u> <u>Bonds</u>
Amount authorized by voters	<u>\$ 29,000,000</u>	<u>\$ -</u>	<u>\$ 43,500,000</u>
Amount issued	<u>\$ 17,985,000</u>	<u>\$ -</u>	<u>\$ -</u>
Remaining to be issued	<u>\$ 11,015,000</u>	<u>\$ -</u>	<u>\$ 43,500,000</u>
Debt service fund cash and temporary investment balances as of September 30, 2025:			<u>\$ -</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:			<u>\$ -</u>

Harris County Municipal Utility District No. 221
Comparative Schedule of Revenues and Expenditures – General Fund
Five Years Ended September 30,

	Amounts				
	2025	2024	2023	2022	2021
General Fund					
Revenues					
Property taxes	\$ 1,547,664	\$ 1,609,937	\$ 835,202	\$ 678,731	\$ 668,691
Sales tax rebates	383,896	383,835	390,833	359,132	322,056
Water service	893,509	764,399	645,262	594,912	535,438
Sewer service	584,030	562,226	528,471	518,875	506,037
Bulk water sales	45,697	43,688	43,904	-	-
Penalty and interest	39,875	40,892	31,143	31,177	17,665
Tap connection and inspection fees	-	18,340	109,090	36,476	70,114
Investment income	256,088	266,617	214,954	31,463	3,335
Other income	17,775	6,634	1,205	303	14,575
Total Revenues	3,768,534	3,696,568	2,800,064	2,251,069	2,137,911
Expenditures					
Service operations					
Purchased services	693,450	905,845	735,719	486,283	343,102
Regional water fee	569,780	358,404	255,851	202,568	183,447
Professional fees	188,435	219,094	218,059	188,873	207,639
Contracted services	576,025	503,241	471,494	484,464	454,884
Utilities	79,371	83,653	72,285	78,825	56,607
Repairs and maintenance	592,167	621,276	794,205	483,167	320,874
Other expenditures	123,376	108,365	107,659	93,560	91,445
Tap connections	4,800	4,925	75,225	13,402	20,596
Capital outlay	17,924	77,427	180,571	-	-
Debt service					
Principal retirement	160,000	-	-	-	-
Interest and fees	3,200	-	-	-	-
Total Expenditures	3,008,528	2,882,230	2,911,068	2,031,142	1,678,594
Excess (Deficiency) of Revenues Over Expenditures	760,006	814,338	(111,004)	219,927	459,317
Other Financing Sources (Uses)					
Interfund transfers in (out)	44,561	(273,974)	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	804,567	540,364	(111,004)	219,927	459,317
Fund Balance, Beginning of Year	5,217,006	4,676,642	4,787,646	4,567,719	4,108,402
Fund Balance, End of Year	\$ 6,021,573	\$ 5,217,006	\$ 4,676,642	\$ 4,787,646	\$ 4,567,719
Total Active Retail Water Connections	1,353	1,350	1,354	1,242	1,240
Total Active Retail Wastewater Connections	1,324	1,321	1,324	1,211	1,210

Percent of Fund Total Revenues

<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
41.1 %	43.5 %	29.8 %	30.2 %	31.3 %
10.2	10.4	14.0	15.9	15.1
23.7	20.7	23.0	26.4	25.0
15.5	15.2	18.9	23.1	23.7
1.2	1.2	1.6	-	-
1.0	1.1	1.1	1.4	0.8
-	0.5	3.9	1.6	3.3
6.8	7.2	7.7	1.4	0.1
0.5	0.2	0.0	0.0	0.7
100.0	100.0	100.0	100.0	100.0
18.4	24.5	26.3	21.6	16.0
15.1	9.7	9.1	9.0	8.6
5.0	5.9	7.8	8.4	9.7
15.3	13.6	16.8	21.5	21.3
2.1	2.3	2.6	3.5	2.6
15.7	16.8	28.4	21.5	15.0
3.2	2.9	3.8	4.1	4.3
0.1	0.2	2.7	0.6	1.0
0.5	2.1	6.5	-	-
4.3	-	-	-	-
0.1	-	-	-	-
79.8	78.0	104.0	90.2	78.5
20.2 %	22.0 %	(4.0) %	9.8 %	21.5 %

Harris County Municipal Utility District No. 221
Comparative Schedule of Revenues and Expenditures – Debt Service Fund
Five Years Ended September 30,

	Amounts				
	2025	2024	2023	2022	2021
Debt Service Fund					
Revenues					
Property taxes	\$ -	\$ -	\$ 722,487	\$ 698,894	\$ 670,222
Penalty and interest	-	34,195	39,483	16,510	13,113
Investment income	-	8,222	17,610	2,765	203
Total Revenues	-	42,417	779,580	718,169	683,538
Expenditures					
Current					
Professional fees	-	2,347	6,847	7,310	6,390
Contracted services	-	49,552	42,935	41,208	42,127
Other expenditures	-	9,440	10,914	17,661	9,321
Debt service					
Principal retirement	-	645,000	635,000	610,000	590,000
Interest and fees	-	29,300	51,494	72,144	90,669
Total Expenditures	-	735,639	747,190	748,323	738,507
Excess (Deficiency) of Revenues Over Expenditures	-	(693,222)	32,390	(30,154)	(54,969)
Other Financing Sources (Uses)					
Interfund transfers in (out)	(44,561)	273,974	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(44,561)	(419,248)	32,390	(30,154)	(54,969)
Fund Balance, Beginning of Year	44,561	463,809	431,419	461,573	516,542
Fund Balance, End of Year	\$ -	\$ 44,561	\$ 463,809	\$ 431,419	\$ 461,573

Percent of Fund Total Revenues				
2025	2024	2023	2022	2021
- %	- %	92.7 %	97.3 %	98.1 %
-	80.6	5.0	2.3	1.9
-	19.4	2.3	0.4	0.0
-	100.0	100.0	100.0	100.0
-	5.5	0.9	1.0	0.9
-	116.8	5.5	5.7	6.2
-	22.3	1.4	2.5	1.3
-	1,520.6	81.4	84.9	86.3
-	69.1	6.6	10.1	13.3
-	1,734.3	95.8	104.2	108.0
- %	(1,634.3) %	4.2 %	(4.2) %	(8.0) %

**Harris County Municipal Utility District No. 221
Board Members, Key Personnel, and Consultants
Year Ended September 30, 2025**

Complete District mailing address:	Harris County Municipal Utility District No. 221 c/o Bracewell LLP 711 Louisiana, Suite 2300 Houston, TX 77002-2770
District business telephone number:	713.223.2300
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	July 29, 2019
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>
Edward C. Stucey	Elected 05/25– 05/29	\$ 7,200	\$ 3,812	President
Rick Robinson	Elected 05/23– 05/27	-	-	Secretary
Stephanie Woods	Elected 05/23– 05/27	6,409	2,401	First Assistant Secretary
Aamanda Carrier	Elected 05/25– 05/29	6,188	1,265	Second Assistant Secretary

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

**Harris County Municipal Utility District No. 221
Board Members, Key Personnel, and Consultants
Year Ended September 30, 2025**

(Continued)

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Bracewell LLP	02/17/12	\$ 134,500	Attorney
District Data Services, Inc.	Prior to 04/01/83	30,508	Bookkeeper
Forvis Mazars, LLP	05/15/86	28,000	Auditor
Harris Central Appraisal District	Legislative Action	11,073	Appraiser
Inframark, LLC	04/20/83	1,861,599	Operator
Masterson Advisors LLC	04/24/18	-	Financial Advisor
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/20/96	4,754	Delinquent Tax Attorney
Vogler & Spencer Engineering, Inc.	Prior to 04/01/83	208,511	Engineer
Wheeler & Associates, Inc.	04/08/82	65,029	Tax Assessor/ Collector
Investment Officer			
Stephanie Viator	10/10/06	N/A	Bookkeeper

APPENDIX B

Specimen Municipal Bond Insurance Policy



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____
Member Surplus Contribution: \$ _____
Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN