

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 27, 2026

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

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 WILL BE DESIGNATED "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "TAX MATTERS—QUALIFIED TAX-EXEMPT OBLIGATIONS."

NEW ISSUE-Book-Entry Only

Underlying Rating: Moody's "A3"
See "MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE" herein.

\$7,280,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 372
(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. 372 (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 levied, without legal limitation as to rate or amount, against all taxable property within the District. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See "INVESTMENT CONSIDERATIONS."

Dated Date: June 1, 2026

Due: March 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/registrar, initially The Bank of New York Mellon Trust Company, N.A., Houston, Texas (the "Paying Agent/Registrar") upon surrender of the Bonds for payment. Interest on the Bonds accrues from the initial date of delivery (expected on or about June 9, 2026) (the "Date of Delivery"), and is payable each September 1 and March 1, commencing September 1, 2026, until maturity or prior redemption. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their 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/Registrar 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. See "BOOK-ENTRY-ONLY SYSTEM."

MATURITY SCHEDULE

Due (March 1)	Principal Amount (c)	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (d)	Due (March 1)	Principal Amount (c)	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (d)
2027	\$ 305,000				2039	\$ 305,000 (b)			
2028	305,000				2040	305,000 (b)			
2029	305,000				2041	305,000 (b)			
2030	305,000				2042	305,000 (b)			
2031	305,000				2043	300,000 (b)			
2032	305,000				2044	300,000 (b)			
2033	305,000 (b)				2045	300,000 (b)			
2034	305,000 (b)				2046	300,000 (b)			
2035	305,000 (b)				2047	300,000 (b)			
2036	305,000 (b)				2048	300,000 (b)			
2037	305,000 (b)				2049	300,000 (b)			
2038	305,000 (b)				2050	300,000 (b)			

- (a) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Underwriter (as herein defined) for offers to the public and which subsequently may be changed.
- (b) Bonds maturing on or after March 1, 2033, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time in part, on March 1, 2032, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent Interest Payment Date (as herein defined) to the date fixed for redemption. See "THE BONDS—Redemption Provisions."
- (c) The Underwriter (as hereinafter defined) may designate one or more maturities of term bonds. See accompanying "OFFICIAL NOTICE OF SALE."
- (d) 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 (as herein defined) shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.

The Bonds are offered by the Underwriter subject to prior sale, when, as and if issued by the District and accepted by the respective 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 Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. See "LEGAL MATTERS." Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about June 9, 2026.

Bids Due: Monday, May 11, 2026 at 10:00 A.M., Houston Time in Houston, Texas
Bid Award: Monday, May 11, 2026 at 12:00 P.M., Houston Time in Houston, Texas

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

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

No dealer, broker, 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 Allen Boone Humphries Robinson LLP, Bond Counsel, 3200 Southwest Freeway, Suite 2600, Houston, Texas, 77027, for further information.

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

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

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 effective interest rate, which bid was tendered by _____ (the "Underwriter") bearing the interest rates shown on the cover page hereof, at a price of _____% of the par value thereof, which resulted in a net effective interest rate of _____%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended (the IBA method).

Prices and Marketability

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering 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 which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of 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 and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

OFFICIAL STATEMENT SUMMARY

The following 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...* The District is a political subdivision of the State of Texas, created by order of the Texas Natural Resource Conservation Commission, predecessor to the Texas Commission on Environmental Quality (“TCEQ”), on November 5, 1999, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District consists of approximately 492 acres of land. See “THE DISTRICT.”
- Location...* The District is located entirely within the corporate limits of the City of Houston, Texas, and wholly within the boundaries of Harris County, Texas. The District is located in western Harris County approximately 15 miles west of Houston Central Business District and within the boundaries of the Alief Independent School District. The District is located north of Alief-Clodine Road, south of Westheimer Road, approximately one mile west of Sam Houston Tollway and approximately five miles east of Texas State Highway 6. Richmond Boulevard bisects the District east to west. See “THE DISTRICT—Description and Location” and “AERIAL PHOTOGRAPH.”
- Development...* The District has been developed as Royal Oaks Country Club (“Royal Oaks”), a private, gated, luxury single-family residential development situated around an 18-hole, championship, Beau Welling redesigned, signature golf course (over 7,000 yards, par 72). The golf course is part of a private, member-only club, with a 40,000 square foot clubhouse, multiple dining facilities and bars, a golf simulation and training center, an 11,000 square foot sports complex, swimming pools, a comprehensive fitness center, tennis and pickleball courts, all encompassing approximately 127 acres. Residential development consists of 876 single-family residential lots on approximately 286 acres. Royal Oaks has a homeowners’ association which owns, operates and maintains the streets, community recreation areas and landscaped common areas, as well as three private automobile and golf cart bridges over major thoroughfares. In addition to the single-family residential and recreational development, there are approximately 79 acres of undevelopable land in the District contained in detention facilities in addition to certain acreage used for recreational purposes, utility sites, and rights-of-way. There are no undeveloped acres within the District.
- As of March 31, 2026, 876 single-family residential lots have been constructed and paved, and a total of 867 homes were complete (857 occupied). There is no active home construction in the District. For tax year 2025, the average home value was approximately \$1,070,000. See “THE DISTRICT—Land Use—Status of Development.”
- Payment Record...* The District has previously issued \$17,715,000 principal amount of unlimited tax bonds in three series, none of which currently remains outstanding. The District has never defaulted on its prior debt obligations. The District will capitalize twelve (12) months of interest from Bond proceeds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

THE BONDS

<i>Description...</i>	The \$7,280,000 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 Bonds are scheduled to mature serially on March 1 in each of the years 2027 through 2050, both inclusive, and in the principal amounts and accrue interest at the rates shown on the cover page hereof. Interest on the Bonds accrues from the Date of Delivery, and is payable September 1, 2026, and each March 1 and September 1 thereafter, until the earlier of maturity or redemption. The Bonds will be issued in denominations of \$5,000 or integral multiples of \$5,000. See “THE BONDS.”
<i>Book-Entry-Only System...</i>	The Depository Trust Company (defined as “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 certificate will be issued for each maturity of the Bonds and will be deposited with DTC. See “BOOK-ENTRY-ONLY SYSTEM.”
<i>Redemption...</i>	Bonds maturing on or after March 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 March 1, 2032, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS—Redemption Provisions.”
<i>Use of Proceeds...</i>	Proceeds of the Bonds will be used to finance improvements to the water, wastewater and drainage facilities as described herein under “USE AND DISTRIBUTION OF BOND PROCEEDS.” In addition, Bond proceeds will be used to capitalize twelve (12) months of interest on the Bonds; to pay engineering fees and administrative costs; and to pay certain other costs related to the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”
<i>Authority for Issuance...</i>	The Bonds are the fourth series of bonds issued out of an aggregate of \$40,000,000 principal amount of unlimited tax bonds authorized by the District’s voters for the purpose of constructing or acquiring water, wastewater and drainage facilities. 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, as amended, 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 the proceeds of a continuing direct annual ad valorem tax levied, without legal limitation as to rate or amount, against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the City of Houston, Harris County, the State of Texas or any entity other than the District. See “THE BONDS—Source of Payment.”
<i>Municipal Bond Insurance and Municipal Bond Rating...</i>	Application has been made to Moody’s Investors Service (“Moody’s”) for an underlying rating on the Bonds, and Moody’s has assigned an underlying rating of “A3” to the Bonds. Application has also been made to various municipal bond insurance companies for qualification of the Bonds for municipal bond insurance. If qualified, such insurance will be available at the option of the Underwriter at the Underwriter’s expense. The rating fee of Moody’s will be paid for by the District; payment of any other rating fee will be the responsibility of the Underwriter. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance” and “MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE.”
<i>Qualified Tax-Exempt Obligations...</i>	The Bonds will be designated “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS—Qualified Tax-Exempt Obligations.”

<i>Bond Counsel...</i>	Allen Boone Humphries Robinson LLP, Houston, Texas. See “MANAGEMENT OF THE DISTRICT,” “LEGAL MATTERS” and “TAX MATTERS.”
<i>Financial Advisor...</i>	Masterson Advisors LLC, Houston, Texas. See “MANAGEMENT OF THE DISTRICT.”
<i>Disclosure Counsel...</i>	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
<i>Paying Agent/Registrar...</i>	The Bank of New York Mellon Trust Company, N.A., Houston, Texas. See “THE BONDS—Method of Payment of Principal and Interest.”

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.....	\$973,604,717	(a)
Gross Direct Debt Outstanding (the Bonds).....	\$ 7,280,000	(b)
Estimated Overlapping Debt	38,345,374	(c)
Gross Direct Debt and Estimated Overlapping Debt.....	\$45,625,374	
Ratio of Gross Direct Debt to:.....		
2025 Certified Taxable Assessed Valuation.....	0.75%	
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:.....		
2025 Certified Taxable Assessed Valuation.....	4.69%	
Funds Available for Debt Service:		
Capitalized Interest from Proceeds of the Bonds (Twelve (12) Months).....	\$349,440	(d)
General Operating Fund Balance as of April 27, 2026	\$1,646,977	
2025 Total Tax Rate (All Maintenance and Operations)	\$0.10465	(e)
Average Annual Debt Service Requirement (2026-2050).....	\$464,141	(f)
Maximum Annual Debt Service Requirement (2027).....	\$647,120	(f)
Tax Rate Required to Pay Average Annual Debt Service (2026-2050) at a 95% Collection Rate		
2025 Certified Taxable Assessed Valuation.....	\$0.06	(g)
Tax Rate Required to Pay Maximum Annual Debt Service (2027) at a 95% Collection Rate		
2025 Certified Taxable Assessed Valuation.....	\$0.07	(g)
Status of Development as of March 31, 2026 (h):		
Homes Completed (857 Occupied).....	867	
Estimated Population	3,000	(i)

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- (a) As certified by the Harris Central Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."
 - (b) After issuance of the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)."
 - (c) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt" and "—Overlapping Taxes."
 - (d) The District will capitalize twelve (12) months of interest from Bond proceeds and deposit such funds in the Debt Service Fund. See "THE BONDS—Funds." The amount shown above is estimated at 4.80%. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
 - (e) The District expects to levy a debt service tax rate in 2026. See "TAX DATA—Debt Service Tax."
 - (f) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."
 - (g) See "TAX DATA—Tax Adequacy for Debt Service" and "INVESTMENT CONSIDERATIONS—Possible Impact on District Tax Rates."
 - (h) See "THE DISTRICT—Land Use" and "—Status of Development."
 - (i) Based upon 3.5 persons per occupied single-family residence.

PRELIMINARY OFFICIAL STATEMENT

\$7,280,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 372 *(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. 372 (the "District") of its \$7,280,000 Unlimited Tax Bonds, Series 2026 (the "Bonds").

The Bonds are issued by the District pursuant to an order of the Texas Commission on Environmental Quality (the "TCEQ"), a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board"), Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the District, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

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 Allen Boone Humphries Robinson LLP, Bond Counsel, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

THE BONDS

Description

The Bonds will be dated June 1, 2026 and accrue interest from the Date of Delivery, with interest payable each September 1 and March 1, beginning September 1, 2026 (each, an "Interest Payment Date"), and will mature on the dates and in the amounts and accrue interest at the rates shown on the cover page hereof. The Bonds are issued in fully registered form, in denominations of \$5,000 or any integral multiple of \$5,000. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

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., Houston, Texas 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 in Houston, Texas 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 as of the close of business on the February 15 or August 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 remains outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are appraised, levied and collected, in each year, a continuing direct annual ad valorem tax, without limit as to rate, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and costs of collection. In the Bond Resolution, the District covenants that said taxes are irrevocably pledged to the payment of the interest on and principal of the Bonds and to no other purpose.

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

Funds

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

Twelve (12) months of capitalized interest shall be deposited into the Debt Service Fund upon receipt. The remaining proceeds from sale of the Bonds shall be deposited into the Capital Projects Fund, to be used for the purpose of paying certain costs and engineering fees related to the issuance of the Bonds. Any monies remaining in the Capital Projects Fund will be used as described in the Bond Resolution or ultimately transferred to the Debt Service Fund. See "USE AND DISTRIBUTION OF BOND PROCEEDS" for a complete description of the use of Bond proceeds.

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.

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on or after March 1, 2033, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000 on March 1, 2032, or any date thereafter, at a price of par value plus unpaid accrued interest on the principal amounts called for redemption from the most recent Interest Payment Date to the date fixed for redemption.

If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed will be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random method (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

If a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in integral multiples of \$5,000. Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a Bond or Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

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 less than all the Bonds outstanding are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the 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 which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Authority for Issuance

At a bond election held within the District on January 15, 2000, the voters of the District authorized the issuance of \$40,000,000 principal amount of unlimited tax bonds for the purpose of constructing and/or acquiring waterworks, sanitary sewer and storm sewer facilities (the "System"). The Bonds are issued pursuant to such authorization.

The Bonds are issued by the District pursuant to terms and conditions of the Bond Resolution, an order of the TCEQ, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the District and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

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

Registration and Transfer

So long as any Bonds remain outstanding, the 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.

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

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

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

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

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.

Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be 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, apparently destroyed, or wrongfully taken, 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.

Issuance of Additional Debt

The District may issue additional bonds, with the approval of the TCEQ, necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. See “THE DISTRICT—General.” The District’s voters have authorized the issuance of \$40,000,000 principal amount of bonds for the purpose of constructing and/or acquiring the System and \$24,000,000 for refunding such bonds. The District could authorize additional amounts. After the issuance of the Bonds, \$15,005,000 of unlimited tax bonds for the purposes of constructing and/or acquiring the System and \$23,027,400 of unlimited tax refunding bonds will remain authorized but unissued.

The District is authorized by statute to construct park and recreational facilities, including the issuing of bonds payable from taxes for such purpose. If the District does issue parks bonds, the outstanding principal amount of such bonds may not exceed an amount equal 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 outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent (1%) but not greater than three percent (3%) of the value of the taxable property in the District.

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.

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 fire-fighting bonds payable from taxes, the following actions would be required: (a) amendments to the existing City of Houston ordinance specifying the purposes for which the District may issue bonds; (b) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (c) approval of the master plan and issuance of bonds by the TCEQ; and (d) approval of bonds by the Attorney General of Texas. It is not anticipated at this time that bonds will be issued by the District for fire fighting purposes. Issuance of bonds for firefighting purposes could dilute the investment security for the Bonds or any additional bonds issued by the District.

Abolishment by the City of Houston

Under existing Texas law, because the District lies wholly within the corporate limits of the City of Houston, the District must conform to a City of Houston ordinance consenting to the creation of the District. In addition, the District may be abolished by the City of Houston without the District’s consent. If the District is abolished, the City of Houston will assume the District’s assets and obligations (including the Bonds). Abolishment of the District 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 abolishment will or will not occur. Moreover, no representation is made concerning the ability of the City of Houston to make debt service payments should abolishment 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 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. 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, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to the 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, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

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 affect 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.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District (or the Trustee on behalf thereof) 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).

Principal, premium, if any, interest payments and redemption proceeds 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 Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, interest payments and redemption proceeds 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, 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. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs below were compiled by IDS Engineering Group, 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"). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and review by the District's auditor. The surplus funds may be expended for any lawful purpose for which surplus construction funds may be used, if approved by the TCEQ, where required.

CONSTRUCTION COSTS	
Non-Potable Water System.....	\$ 984,750
Potable Water System.....	2,451,250
Storm Sewer Rehabilitation.....	1,520,000
Contingency.....	495,600
Engineering and Surveying.....	817,740
	817,740
Total Construction Costs.....	\$ 6,269,340
NON-CONSTRUCTION COSTS	
Legal Fees.....	\$ 185,600
Fiscal Agent Fees.....	124,200
Capitalized Interest (12 months) (a).....	349,440
Bond Discount (Estimated at 3%)(a).....	218,400
Bond Issuance Expenses.....	47,540
Bond Application Report.....	60,000
TCEQ Fee (0.25%).....	18,200
Attorney General Fee.....	7,280
	7,280
Total Non-Construction Costs	\$ 1,010,660
TOTAL BOND ISSUE	\$ 7,280,000

(a) The TCEQ approved a maximum amount of Bond Discount of 3.00% and twelve (12) months of capitalized interest at an estimated interest rate of 4.80%.

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

THE DISTRICT

General

The District is a municipal utility district created by an order of the Texas Natural Resource Conservation Commission, predecessor to the TCEQ dated November 5, 1999. The creation of the District was confirmed at an election held within the District on January 15, 2000. The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to utility districts, particularly Article XVI, Section 59 of the Texas Constitution, and Chapters 49 and 54 of the Texas Water Code, as amended.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, and parks and recreational facilities, in each case after approval by the City of Houston, the TCEQ and the voters of the District.

The TCEQ exercises continuing supervisory jurisdiction over the District. In order to obtain the consent for creation from the City of Houston, within which the District is located, the District is required to observe certain requirements of the City which: limit the purposes for which the District may sell bonds to the acquisition, construction, and improvement of waterworks, wastewater, drainage and recreational facilities; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City 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 consists of approximately 492 acres of land. The District is located entirely within the corporate limits of the City of Houston, Texas, and wholly within the boundaries of Harris County, Texas. The District is located in western Harris County approximately 15 miles west of Houston Central Business District and within the boundaries of Alief Independent School District. The District is located north of Alief-Clodine Road, south of Westheimer Road, approximately one mile west of Sam Houston Tollway and approximately five miles east of Texas State Highway 6. Richmond Boulevard bisects the District east to west. See "AERIAL PHOTOGRAPH."

Land Use

The following table has been provided by the Engineer and represents the current land use within the District.

<u>Single-Family Residential</u>	Approximate	
	Acres	Lots
Royal Oaks Country Club:		
Section One.....	94	259
Section Two.....	5	10
Section Three.....	10	20
Section Four.....	8	21
Section Five.....	23	72
Section Six.....	6	38
Section Seven.....	7	43
Section Eight.....	7	45
Section Nine.....	18	70
Section Ten.....	27	79
Section Eleven.....	34	73
Section Twelve.....	17	53
Section Thirteen.....	17	46
Section Fourteen.....	13	47
<i>Subtotal</i>	<u>286</u>	<u>876</u>
<u>Golf Course & Other Recreational Facilities</u>	127	-
<u>Undevelopable (a)</u>	<u>79</u>	<u>-</u>
<i>Totals</i>	492	876

(a) Includes detention facilities in addition to certain acreage used for detention, recreational purposes, utility sites, and rights-of-way.

Status of Development

The District has been developed as Royal Oaks Country Club (“Royal Oaks”), a private, gated, luxury single-family residential development situated around an 18-hole, championship, Beau Welling redesigned, signature golf course (over 7,000 yards, par 72). The golf course is part of a private, member-only club, with a 40,000 square foot clubhouse, multiple dining facilities and bars, a golf simulation and training center, an 11,000 square foot sports complex, swimming pools, a comprehensive fitness center, tennis and pickleball courts, all encompassing approximately 127 acres. Residential development consists of 876 single-family residential lots on approximately 286 acres. Royal Oaks has a homeowners’ association, which owns, operates and maintains the streets, community recreation areas and landscaped common areas, as well as three private automobile and golf cart bridges spanning Richmond and Westpark, major thoroughfares within the City of Houston.

The District also includes approximately 79 acres of undevelopable land in the District contained in detention facilities in addition to certain acreage used for recreational purposes, utility sites, and rights-of-way. There are no undeveloped acres within the District.

As of March 31, 2026, 876 single-family residential lots have been constructed and paved, and a total of 867 homes were complete (857 occupied). There is no active home construction in the District. For tax year 2025, the average home value was approximately \$1,070,000.

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 terms and elections are held on the first Saturday of May in even numbered years only. All of the Board members currently reside within the District. Directors have staggered four-year terms. The current members and officers of the Board along with their titles and terms, are listed as follows:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Darin Gosda	President	May 2026
Karen Brand	Vice President	May 2026
Mark Clark	Secretary	May 2028
Kurt Prohl	Assistant Vice President	May 2028
Robert Herrmann	Assistant Secretary	May 2026

District Consultants

The District does not have a general manager or other full-time employees, but contracts for certain necessary services as described below.

Bond Counsel/Attorney: The District has engaged Allen Boone Humphries Robinson 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 the District's Financial Advisor. The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

Auditor: The District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. The financial statements of the District as of August 31, 2025, and for the year then ended, included in this offering document, have been audited by McCall Gibson Swedlund Barfoot Ellis, PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's August 31, 2025 financial statements.

Engineer: The District's consulting engineer is IDS Engineering Group.

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

Tax Assessor/Collector: The District has appointed an independent tax assessor/collector to perform the tax collection function. Assessments of the Southwest, Inc. (the "Tax Assessor/Collector") has been employed by the District to serve in this capacity.

Bookkeeper: The District has contracted with Municipal Accounts & Consulting, LP (the "Bookkeeper") for bookkeeping services.

Utility System Operator: The operator of the District's water and wastewater system is Inframark Water & Infrastructure Services.

THE SYSTEM

Regulation

Construction and operation of the District's water, wastewater and storm drainage system (the "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 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 is subject to the regulatory authority of the Harris-Galveston Coastal Subsidence District where applicable (see "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.

Although the District is located entirely within the City of Houston, it owns and operates its water distribution and wastewater collection systems, and bills and collects from its customers independently of the City of Houston.

Water Supply

Water Supply Facilities: The District owns three groundwater wells, with a total combined capacity of 2,200 gallon per minute ("gpm"). These wells are currently used to supply water to lakes within the golf course, which serve as supply reservoirs for golf course irrigation and the homeowners' association irrigation systems. The District intends to utilize the groundwater wells as a source of potable drinking water in the future. A portion of the Bond proceeds will be used for engineering costs in connection with the conversion of the groundwater wells as a source for drinking water. See "USE AND DISTRIBUTION OF BOND PROCEEDS." Such conversion is expected to be completed by summer 2028. Once the groundwater wells are a source of potable drinking water, irrigation will be served primarily by raw water from Brays Bayou, pursuant to an additional contract that the District has entered into with the City of Houston (the "Alternative Untreated Water Supply Contract").

Potable water is currently supplied to the District pursuant to a Water Supply Agreement with the City of Houston (the "Water Agreement"). The City of Houston requires an impact fee per equivalent single-family connection to be paid by the District, and this fee is subject to change. Under the Water Agreement, the District receives water through master meters located near the boundaries of the District and at the District's Water Repressurization Plant (the "Water Plant"). A portion of Bond proceeds will be used to fund improvements to the potable and non-potable water systems in the District. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

The District has the ability to either take water at the City of Houston's water distribution pressure, or divert water to the District's water plant and supply water at higher pressure. The Water Plant consists of a 400,000 gallon ground storage tank, a 20,000 gallon pressure tank and four booster pumps with a total combined capacity of 3,400 gpm. Under the current Water Agreement, the District is obligated to pay \$4.570 per 1,000 gallons for water delivered directly to the District's water distribution system under pressure or \$4.100 per 1,000 gallons for water delivered to the Water Plant through an air gap. Both wholesale rates are subject to change from time to time. The District is obligated to take a minimum of 11,000,000 gallons per month on a "take or pay" basis, at the wholesale rates listed above, with amounts in excess of the minimum charged at a slightly higher rate. The District may adjust the minimum amount of "take or pay" by giving notice to the City of Houston once each year. The District has recently executed a second contract with the City of Houston to receive untreated water from Brays Bayou in a minimum amount of 120,000,000 gallons per year. Under the Alternative Untreated Water Supply Contract, the District will be obligated to pay \$0.90 per 1,000 gallons for water delivered to the District's system through the planned intake structure. The contract will take effect upon the trigger date, which is further defined in the contract as the date that the District's infrastructure is operational and ready to receive water or the date the City receives approval to provide untreated water to the District, whichever occurs later.

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 Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District's jurisdiction, including the area within the District. The District has entered into a Water Agreement with the City of Houston, Texas as described above to obtain treated surface water from Houston. The District has developed a groundwater reduction plan ("GRP") and obtained Subsidence District approval of its GRP. The District's GRP sets forth the District's plan to comply with Subsidence District regulations, by buying treated surface water from the City of Houston.

Under the Subsidence District regulations and the GRP, the District is required: (i) beginning in the year 2025, to limit groundwater withdrawals to no more than 40% of the total annual water demand of the water use within the District; and (ii) beginning in the year 2035, to limit groundwater withdrawals to no more than 20% of the total annual water demand of the water use within the District. If the District fails to comply with the above Subsidence District regulations or its GRP, the District is subject to a disincentive fee penalty ("Disincentive Fees"), imposed by the Subsidence District for any groundwater withdrawn in excess of 40% of the total water demand in the District.

Wastewater Treatment

Wastewater capacity is provided to the District pursuant to a Utility Services and Functions Agreement with the City of Houston (the “Wastewater Agreement”). Initially, the City of Houston required an impact fee per equivalent single-family connection or service unit to be paid by the District. Under the Wastewater Agreement, wastewater generated by the District is received by the City at or near the boundaries of the District, entering the City’s collection system for treatment by the City’s wastewater plants. The majority of the District’s wastewater is treated at the City of Houston’s Upper Brays Plant pursuant to the Wastewater Agreement with the City of Houston. Royal Oaks Country Club, Section Nine (70 lots) and certain commercial tracts are treated by the City’s Beltway plant. The Wastewater Agreement also provides that (i) certain facilities to be constructed by the District located in major thoroughfares will be conveyed to the City for ownership and maintenance upon completion, and (ii) the District will receive a rebate of City taxes levied within the District attributable to the City’s Storm Sewer Bonds (currently approximately \$0.04 per \$100 taxable assessed valuation).

Water Distribution, Wastewater Collection and Storm Drainage Facilities

The District has constructed water distribution, wastewater collection and storm drainage facilities to serve Royal Oaks Country Club, Sections One through Fourteen (876 lots). The District and the City of Houston entered into a Drainage Participation Agreement, dated May 8, 2012 (the “Drainage Agreement”), providing for the maintenance of the District’s drainage and detention system. In the Drainage Agreement, the District agrees to expend funds on drainage and detention maintenance within the District at least equal to the amount the City would collect within the District under the City’s ReBuild Houston program, enacted in Chapter 47, Article XIV of the City’s Code of Ordinances. Under the ReBuild Houston program, the City charges individual landowners a fee to be used for drainage and other projects within the City, but that fee will not be collected in the District pursuant to the Drainage Agreement. The required District expenditures will change from time to time, but are not expected to exceed the amount the District would typically expend for drainage and detention without the Drainage Agreement. In 2013, the District committed pursuant to the Drainage Agreement to spend approximately \$250,000 for drainage and detention maintenance. A portion of Bond proceeds will be used to fund improvements to the storm sewer system in the District. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

100-Year Flood Plain

According to current Federal Emergency Management Agency (FEMA) Flood Insurance Risk Maps (FIRM) all single family residential lots and the Royal Oaks Country Club facility are not located within the 100-year floodplain. Most of the land located within the District is not located within the 100-year floodplain; however a large portion of the golf course is located within the mapped 100-year floodplain. The golf course is designed to provide stormwater detention storage within the District for a 100-year storm event; so by design, portions of the golf course are located within the 100-year floodplain. The land subject to inundation has been conveyed to the District for this purpose with the right to utilize the land for a golf course retained by the owner of the golf course.

Atlas 14

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

Water and Wastewater Operations

The Bonds are payable solely from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Net revenues, from operations of the District’s system, if any, are available for any legal purpose, including, upon Board action, the payment of debt service on the Bonds. It is anticipated that no significant operation revenues will be used for debt service on the Bonds in the foreseeable future.

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 ended August 31, 2022 through 2025 and an unaudited summary for the seven month period ended March 31, 2026, provided by the Bookkeeper. 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.

	9/1/2025 to 3/31/2026 (a) (Unaudited)	Fiscal Year Ended August 31,			
		2025	2024	2023	2022
Revenues					
Property Taxes	\$ 927,500	\$ 975,883	\$ 1,057,440 (b)	\$ 275,545	\$ 211,423
Water service	609,731	1,109,449	1,040,132	1,024,807	1,012,432
Wastewater service	274,943	480,193	463,149	459,996	461,185
Sewer Rebate Revenue	35,287	72,216	67,675	78,373	82,035
Penalty and interest	13,505	40,664	41,432	21,237	23,305
Tap connection & inspection fees	8,142	2,340	2,520	1,980	2,520
Investment revenues	54,929	113,795	162,530	119,921	14,353
Miscellaneous revenues	52,101	15,943	16,791	16,317	19,247
Total revenues	\$ 1,976,138	\$ 2,810,483	\$ 2,851,669	\$ 1,998,176	\$ 1,826,500
Expenditures					
Professional Fees	\$ 169,188	\$ 207,239	\$ 166,979	\$ 170,923	\$ 105,744
Contracted Services	128,507	458,058	464,510	418,077	404,899
Purchased services	565,794	1,220,302	1,154,881	1,125,039	966,818
Utilities	3,605	28,085	23,945	23,221	24,433
Repairs and maintenance	241,077	648,200	355,117	541,082	241,686
Other	94,448	107,786	98,894	83,550	78,239
Capital Outlay	891,815	365,194	138,843	-	5,076
Debt Service - Bond Principal & Interest	-	-	1,107,450 (b)	-	-
Total expenditures	\$ 2,094,434	\$ 3,034,864	\$ 3,510,619	\$ 2,361,892	\$ 1,826,895
NET REVENUES	\$ (118,296)	\$ (224,381)	\$ (658,950)	\$ (363,716)	\$ (395)
Other Financing Sources	\$ -	\$ -	\$ 328,447 (c)	\$ -	\$ -
Beginning Fund Balance	\$ 2,149,529	\$ 2,373,910	\$ 2,704,413	\$ 3,068,129	\$ 3,068,524
Ending Fund Balance	\$ 2,031,233	\$ 2,149,529	\$ 2,373,910	\$ 2,704,413	\$ 3,068,129

(a) Unaudited. Provided by the Bookkeeper.

(b) Prior to the final debt service payment on previously issued bonds in 2024, the District reallocated its total tax rate all to maintenance and operations and made the final debt service payment from the General Operating Fund. See “TAX DATA—Historical Tax Rate Distribution.”

(c) Represents interfund transfer from the District’s prior debt service fund.

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2025 Certified Taxable Assessed Valuation.....	\$973,604,717	(a)
Gross Direct Debt Outstanding (the Bonds).....	\$ 7,280,000	(b)
Estimated Overlapping Debt	<u>38,345,374</u>	(c)
Gross Direct Debt and Estimated Overlapping Debt.....	\$45,625,374	
Ratio of Gross Direct Debt to:		
2025 Certified Taxable Assessed Valuation.....	0.75%	
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:		
2025 Certified Taxable Assessed Valuation.....	4.69%	
Funds Available for Debt Service:		
Capitalized Interest from Proceeds of the Bonds (Twelve (12) Months).....	\$349,440	(d)
General Operating Fund Balance as of April 27, 2026	\$1,646,977	

- (a) As certified by the Appraisal District. See "TAXING PROCEDURES."
- (b) After issuance of the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT."
- (c) See "—Estimated Overlapping Debt" and "Overlapping Taxes" herein.
- (d) The District will capitalize twelve (12) months of interest from Bond proceeds. The amount shown above is estimated at 4.80%. 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 estimated debt service requirements on the Bonds at an estimated interest rate of 4.80%. This schedule does reflect the fact that twelve (12) months of interest will be capitalized from Bond proceeds to pay debt service on the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

Debt Service on the Bonds			
Year	Principal	Interest	Debt Service Requirements
2026	\$ -	\$ 145,600.00	\$ 145,600.00
2027	305,000	342,120.00	647,120.00
2028	305,000	327,480.00	632,480.00
2029	305,000	312,840.00	617,840.00
2030	305,000	298,200.00	603,200.00
2031	305,000	283,560.00	588,560.00
2032	305,000	268,920.00	573,920.00
2033	305,000	254,280.00	559,280.00
2034	305,000	239,640.00	544,640.00
2035	305,000	225,000.00	530,000.00
2036	305,000	210,360.00	515,360.00
2037	305,000	195,720.00	500,720.00
2038	305,000	181,080.00	486,080.00
2039	305,000	166,440.00	471,440.00
2040	305,000	151,800.00	456,800.00
2041	305,000	137,160.00	442,160.00
2042	305,000	122,520.00	427,520.00
2043	300,000	108,000.00	408,000.00
2044	300,000	93,600.00	393,600.00
2045	300,000	79,200.00	379,200.00
2046	300,000	64,800.00	364,800.00
2047	300,000	50,400.00	350,400.00
2048	300,000	36,000.00	336,000.00
2049	300,000	21,600.00	321,600.00
2050	300,000	7,200.00	307,200.00
Total	\$ 7,280,000	\$4,323,520.00	\$ 11,603,520.00

Average Annual Debt Service Requirements (2026-2050) \$464,141
 Maximum Annual Debt Service Requirement (2027)..... \$647,120

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 (a).....	\$ 2,473,177,553	3/31/2026	0.14%	\$ 3,498,717
Harris County Flood Control District.....	937,165,000	3/31/2026	0.14%	1,353,919
Harris County Department of Education.....	28,960,000	3/31/2026	0.14%	40,952
Port of Houston Authority.....	386,074,397	3/31/2026	0.14%	557,870
Harris County Hospital District.....	861,580,000	3/31/2026	0.14%	1,244,536
Houston Community College.....	371,540,000	3/31/2026	0.33%	1,223,048
City of Houston.....	3,641,320,000	3/31/2026	0.29%	10,554,455
Alief ISD.....	382,785,000	3/31/2026	5.19%	19,871,876
Total Estimated Overlapping Debt.....				\$ 38,345,374
The District.....	7,280,000 (b)	Current	100.00%	7,280,000
Total Direct and Estimated Overlapping Debt.....				\$ 45,625,374

Direct and Estimated Overlapping Debt as a Percentage of:

2025 Certified Taxable Assessed Valuation of \$973,604,7174.69%

- (a) Excludes the outstanding Harris County Toll Road Unlimited Tax Bonds in the principal amount of \$2,793,735,000. Historically, Harris County has provided for payment of such debt service from toll road revenues and certain other funds, and no ad valorem tax revenue has been required to pay debt service on such bonds.
- (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” above), 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. 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.

	2025 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
City of Houston.....	0.519190
Alief Independent School District.....	1.007200
Houston Community College.....	<u>0.098802</u>
 Total Overlapping Tax Rate.....	 \$ 2.254120
 The District (a).....	 <u>0.104650</u>
 Total Tax Rate.....	 \$ 2.358770

(a) See “TAX DATA—Historical Tax Rate Distribution.”

TAX DATA

Debt Service Tax

The District 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” 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 January 15, 2000, and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed \$1.50 per \$100 appraised 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

	2025	2024	2023	2022	2021
Debt Service	\$ -	\$ -	\$ -	\$0.13000	\$0.14000
Maintenance and Operations	0.10465	0.10500	0.11500	0.03240	0.02750
Total	\$0.10465	\$0.10500	\$0.11500	\$0.16240	\$0.16750

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, (April 1 for personal property), but not later than May 1 of that year, and that remain delinquent on 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.

Exemptions

For tax year 2026, the District did not grant any exemptions.

Historical Tax Collections

The following statement of tax collections sets forth in condensed form a portion of the historical tax 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 Taxable Valuation (a)	Tax Rate	Total Tax Levy	Total Collections as of March 31, 2026 (b)	
				Amount	Percent
2020	\$ 780,091,948	\$ 0.16750	\$ 1,306,654	\$ 1,305,347	99.90%
2021	782,745,279	0.16750	1,311,098	1,309,787	99.90%
2022	841,044,765	0.16240	1,365,857	1,362,852	99.78%
2023	924,272,940	0.11500	1,062,914	1,059,406	99.67%
2024	935,843,189	0.10500	982,635	980,965	99.83%
2025	973,604,717	0.10465	1,018,877	949,899	93.23%

- (a) As certified by the Appraisal District less any exemptions granted. See “Tax Roll Information” below for gross appraised value and exemptions granted by the District.
- (b) Unaudited.

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

Tax Year	Type of Property			Gross Assessed Valuations	Deferments and Exemptions	Taxable Assessed Valuations
	Land	Improvements	Personal Property			
2021	\$ 258,719,370	\$ 526,840,697	\$ 3,427,527	\$ 788,987,594	\$ (6,242,315)	\$ 782,745,279
2022	276,352,815	576,738,016	3,964,145	857,054,976	(16,010,211)	841,044,765
2023	276,570,423	686,877,688	8,832,408	972,280,519	(48,007,579)	924,272,940
2024	276,332,585	661,724,868	9,360,479	947,417,932	(11,574,743)	935,843,189
2025	276,224,785	706,556,405	11,006,042	993,787,232	(20,182,515)	973,604,717

Principal Taxpayers

The following table represents the ten major taxpayers, the certified taxable assessed valuation of such property, and such property’s certified taxable assessed valuation as a percentage of the 2025 Certified Taxable Assessed Valuation of \$973,604,717.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2025 Certified Taxable Assessed Valuation</u>	<u>% of 2025 Certified Taxable Assessed Valuation</u>
Royal Oaks CC Houston Inc	Commercial	\$ 15,963,470	1.64%
Cube HHF Limited Partnership	Commercial	7,790,000	0.80%
Individual	Residential	5,154,536	0.53%
Individual	Residential	4,754,480	0.49%
Individual	Residential	3,743,700	0.38%
Mamba World Trust	Residential	3,678,087	0.38%
Individual	Residential	3,664,706	0.38%
Individual	Residential	3,568,686	0.37%
Kenningham 2018 Trust	Residential	3,325,412	0.34%
Individual	Residential	3,285,509	0.34%
Total		\$ 54,928,586	5.64%

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 annual debt service requirements if no growth in the District’s tax base occurred beyond the 2025 Certified Taxable Assessed Valuation of \$973,604,717. 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—Possible Impact on District Tax Rates”

Average Annual Debt Service Requirement (2026-2050)	\$464,141
\$0.06 Tax Rate on the 2025 Certified Taxable Assessed Valuation	\$554,955
Maximum Annual Debt Service Requirement (2027).....	\$647,120
\$0.07 Tax Rate on the 2025 Certified Taxable Assessed Valuation	\$647,447

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, 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 District may also levy and collect an annual ad valorem tax for the operation and maintenance of the District. See “TAX DATA—Debt Service Tax” and “—Maintenance and Operations Tax.”

Property Tax Code and County-Wide Appraisal District

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 Central Appraisal Review Board (the "Appraisal Review Board").

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years of age or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the previous election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of taxable valuation depending upon the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if 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 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 spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. 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. To date, the District has not adopted a homestead exemption. See "TAX DATA."

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. The District has not taken action to tax goods-in-transit property.

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 City of Houston and the District, under certain circumstances, 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 appraised valuation of property covered by the agreement over its appraised valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement agreement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. To date, neither Harris County nor the City of Houston has designated land within the District as a reinvestment zone.

Valuation of Property for Taxation

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

Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads to ten percent (10%) annually regardless of the market value of the property. The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use, for 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 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, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Certain qualified taxpayers, including owners of residential homesteads, located within a natural disaster 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 has been designated as a "Developed District" for the 2026 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.

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

INVESTMENT CONSIDERATIONS

General

The Bonds are obligations solely of the District and are not obligations of the City of Houston, Harris County, the State of Texas, or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect taxes levied on taxable property within the District in an amount sufficient to service the District's bonded debt or in the event of foreclosure, on the value of the taxable property in the District and the taxes levied by the District and other taxing authorities upon the property within the District. See "THE BONDS—Source of Payment." The collection by the District of delinquent taxes owed to it and the enforcement by registered owners of the Bonds ("Registered Owners") of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of taxable property within the District will accumulate or maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property or that owners of the property will have the ability to pay taxes. See "Registered Owners' Remedies and Bankruptcy Limitations" herein.

Potential Effects of Oil Price Volatility on the Houston Area

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

Extreme Weather Events

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area 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 25, 2017, and brought historic levels of rainfall during the successive four days.

According to the Engineer, the water and sewer system serving the District did not sustain any material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. Further, no homes within the District experienced structural flooding or other material damage as a result of Hurricane Harvey. During Winter Storm Uri and Hurricane Beryl, the water and sewer system serving the District did not sustain any material damage, however there were minor intermittent water and/or sewer service interruptions.

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

Specific Flood Type Risks

River (or Fluvial) Flood: 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 sheetflow overland. Flash flooding is a type of riverine flood that is characterized by an intense, high velocity torrent of water that occurs in an existing river channel with little to no notice. Flash floods are very dangerous and destructive not only because of the force of the water, but also the hurtling debris that is often swept up in the flow. They can occur within minutes or a few hours of excessive rainfall. They can also occur even if no rain has fallen, for instance, after a levee, dam or reservoir has failed, or after a sudden release of water by a debris or ice jam. Controlled releases from a dam, levee or reservoir also could potentially create a flooding condition in rivers, bayous, or man-made drainage systems (canals or channels) downstream.

Ponding (or Pluvial) Flood: occurs when heavy rainfall creates a flood event independent of an overflowing water body, typically in relatively flat areas. Intense rainfall can over capacitate a drainage system which becomes trapped and flows out into streets and nearby structures until it reaches a natural outlet. Ponding can also occur in a flood pool upstream or behind a dam, levee, or reservoir.

Possible 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 owners of property within the District to pay their taxes. The 2025 Certified Taxable Assessed Valuation is \$973,604,717. After issuance of the Bonds, the maximum annual debt service requirement will be \$647,120 (2027), and the average annual debt service requirement will be \$464,141 (2026-2050 inclusive). Assuming no increase or decrease from the 2025 Certified Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$0.07 and \$0.06 per \$100 of taxable assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirements, respectively. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements” and “TAX DATA—Tax Adequacy for Debt Service.”

Tax Collections Limitations and Foreclosure Remedies

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

Registered Owners' Remedies and Bankruptcy Limitations

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or 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 (1) is authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Special districts such as the District must obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

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

A district may not be forced into bankruptcy involuntarily.

Future Debt

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 purpose. A total of \$40,000,000 principal amount of unlimited tax bonds for the purpose of constructing water supply and distribution, wastewater collection and treatment and storm drainage facilities and \$24,000,000 principal amount of unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District have been authorized by the District's voters. After the issuance of the Bonds, the District will have \$15,005,000 principal amount of unlimited tax bonds for the purpose of purchasing and constructing water supply and distribution, wastewater collection and treatment and storm drainage facilities authorized but unissued and \$23,027,400 principal amount of unlimited tax refunding bonds 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 appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds to finance utilities 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."

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 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 District is subject to the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which was issued by the TCEQ 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. In order to maintain MS4 Permit compliance, the District is partnering with the city of Houston (the "City"), to participate in the City's program to develop, implement, and maintain the required plan (the "MS4 Permit Plan") as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. While the District does not have its own independent MS4 Permit Plan, the District has taken all necessary steps required by the City to be included in the City's MS4 Permit Plan in order to obtain MS4 Permit compliance with the TCEQ. If at any time in the future the District were required to maintain independent coverage under the MS4 Permit, it is anticipated that the District could incur substantial additional costs to develop and implement its own program necessary to comply with the MS4 Permit.

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

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

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

Marketability of the Bonds

The District has no understanding with the 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.

Continuing Compliance with Certain Covenants

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

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.

Risk Factors Related to the Purchase of Municipal Bond Insurance

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

When a Policy is issued, the long-term ratings on the Bonds will be dependent in part on the financial strength of the bond 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 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.

MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE

Moody’s Investors Service (“Moody’s”) has assigned an underlying rating of “A3” to the Bonds. An explanation of the rating may be obtained from Moody’s. The rating fees of Moody’s will be paid by the District; however, the fees associated with any other rating will be the responsibility of the Underwriter.

Applications have been made for the qualification of the Bonds for municipal bond insurance. If qualified, such insurance will be available at the option of the Underwriter and at the Underwriter’s expense. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance.”

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

LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas, payable from the proceeds of an annual ad valorem tax levied, without legal limitation 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 to a like effect and to the effect that, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Code (as defined herein), and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals.

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

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

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

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 be amended or supplemented through the date of sale.

No-Litigation Certificate

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

TAX MATTERS

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 Allen Boone Humphries Robinson LLP, 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 (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 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 of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds, regardless of the ultimate outcome of the audit.

Additional Federal Income Tax Considerations

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 percent 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 any 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: If the issue price of any maturity of the Bonds is less than the stated redemption price payable at maturity of such Bonds (the “OID Bonds”), 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 MATTERS—Tax Exemption” and “TAX MATTERS—Additional Federal Income Tax Considerations—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 (i) the Underwriter has purchased the Bonds for contemporaneous sale to the public and (ii) 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 assurance 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 (i) 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 (ii) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of 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.

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.

Qualified Tax-Exempt Obligations

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as "qualified tax-exempt obligations" and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed \$10,000,000.

The District will designate the Bonds as "qualified tax-exempt obligations" and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2026 is not expected to exceed \$10,000,000 and that 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 calendar year 2026.

Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a 20 percent disallowance of allocable interest expense.

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

The financial data and other information contained in this OFFICIAL STATEMENT has been obtained primarily from the District's records, the Engineer, the Tax Assessor/Collector, the Appraisal District and information from other sources. 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 such sources, 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. The Financial Advisor has reviewed the information in this OFFICIAL STATEMENT in accordance with, and as a 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.

Tax Assessor/Collector: The information contained in this OFFICIAL STATEMENT relating to the breakdown of the District's historical assessed value and principal taxpayers, including particularly such information contained in the section entitled "TAX DATA" has been provided by Assessments of the Southwest, Inc., and is included herein in reliance upon the authority of such firm as an expert in assessing property values and collecting taxes.

Engineer: The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the District's water, wastewater and storm drainage system and, in particular that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM" has been provided by IDS Engineering Group, and has been included herein in reliance upon the authority of said firm as the District's Engineer.

Auditor: The District's financial statements for the period ending August 31, 2025 were audited by McCall Gibson Swedlund Barfoot Ellis, PLLC., See "APPENDIX A" for a copy of the District's August 31, 2025 financial statements.

Bookkeeper: The information related to the "unaudited" summary of the District's General Operating Fund as it appears in "THE SYSTEM—Water and Wastewater Operations" has been provided by Municipal Accounts & Consulting, LP is included herein in reliance upon the authority of such firm as experts in the tracking and managing the various funds of municipal utility districts.

Updating 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 the Underwriter 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 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 the light of the circumstances under which they are made, not misleading. With respect to information included in this OFFICIAL STATEMENT other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. In rendering such certificate, the Board has relied in part upon its examination of records of the District, and upon 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 (the "SEC") regarding the District's continuing disclosure obligations because the District has less than \$10,000,000 in aggregate amount of outstanding bonds (including the Bonds) and no person is committed by contract or other arrangement with respect to payment of the Bonds as required by the exemption. In the Bond Resolution, the District has made the following agreement for the benefit of the Registered and Beneficial Owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") System.

Annual Reports

The District will provide certain financial information and operating data annually to the MSRB through EMMA. The financial information and operating data which will be provided with respect to the District is found in APPENDIX A (Auditor's Report and Financial Statements of the District and certain supplemental schedules). The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2026. Any financial statements provided by the District shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when the audit report becomes available.

The District's current fiscal year end is August 31. Accordingly, it must provide updated information by February 28 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt 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 within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the 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 obligations" when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 of the Securities Exchange Act (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 information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from EMMA

The District has agreed to provide the information only to the MSRB. The MSRB has prescribed that such information must be filed via EMMA. The MSRB makes the information available to the public without charge and investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of 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; nor has the District 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 to 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 Registered Owners of a majority in aggregate principal amount of the 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 prior continuing disclosure agreements made in accordance with SEC Rule 15c2-12.

MISCELLANEOUS

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

/s/ _____
President, Board of Directors

ATTEST:

/s/ _____
Secretary, Board of Directors

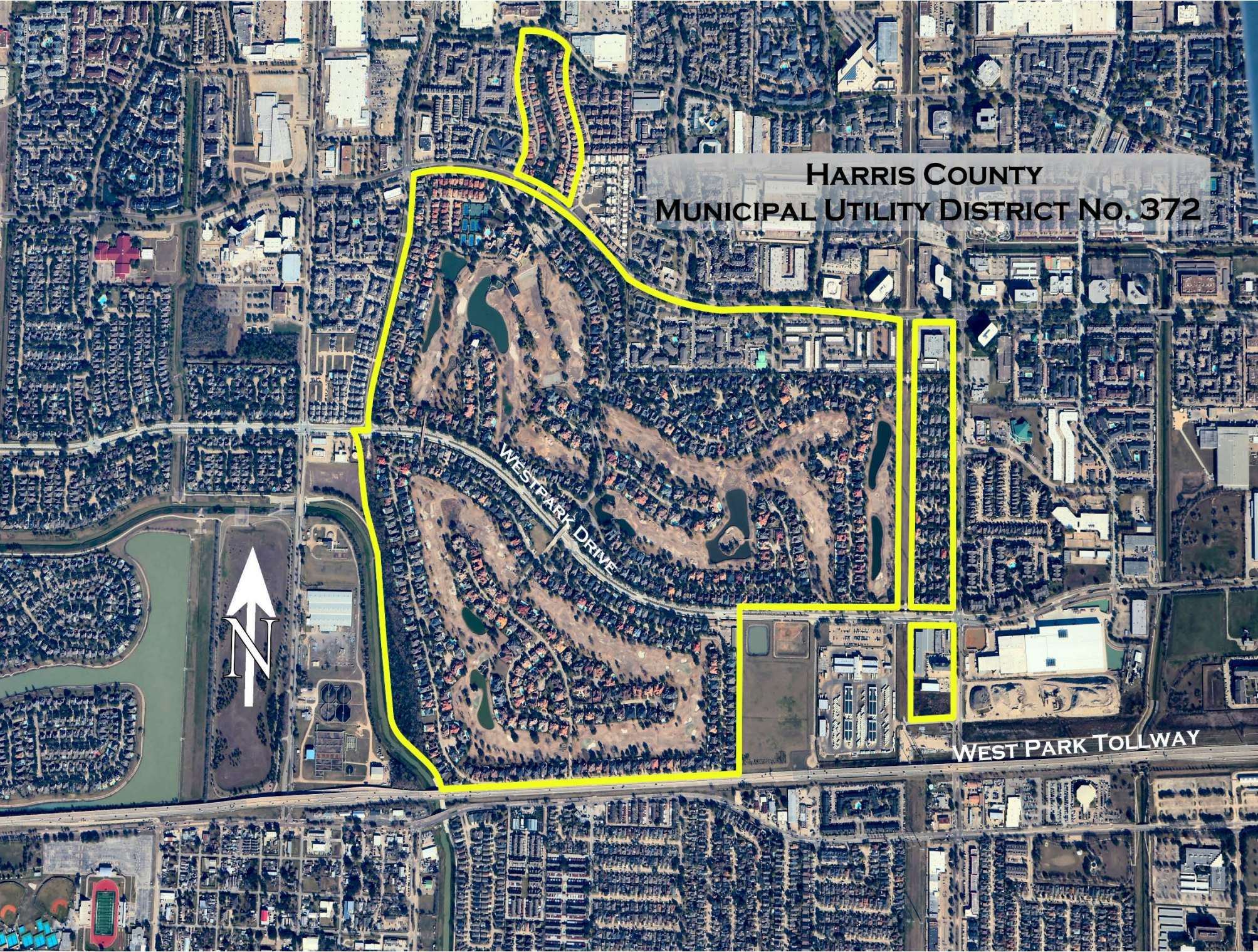
AERIAL PHOTOGRAPH
(As of February 2026)

**HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT No. 372**



WEST PARK DRIVE

WEST PARK TOLLWAY



PHOTOGRAPHS OF THE DISTRICT
(As of February 2026)

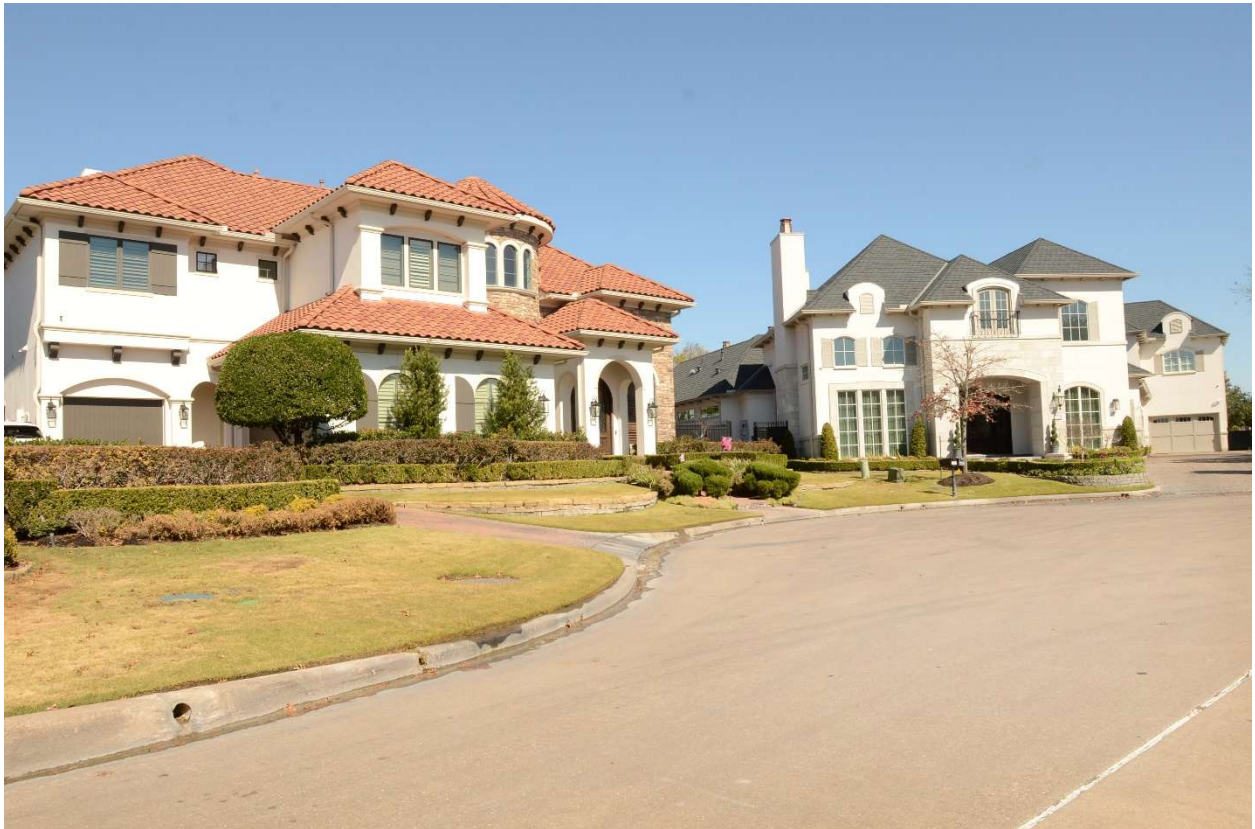














APPENDIX A

Financial Statement of the District for the fiscal year ended August 31, 2025

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 372

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

AUGUST 31, 2025

McCALL GIBSON SWEDLUND BARFOOT ELLIS PLLC
Certified Public Accountants

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McCall Gibson Swedlund Barfoot Ellis PLLC

Certified Public Accountants

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

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal Utility District No. 372
Harris County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 372 (the "District") as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Board of Directors
Harris County Municipal Utility District No. 372

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide an assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot Ellis PLLC

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

December 8, 2025

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 372
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2025**

Management's discussion and analysis of Harris County Municipal Utility District No. 372's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended August 31, 2025. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The Statement of Net Position includes all of the District's assets, liabilities and, if applicable, deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

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

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has one governmental fund type. The General Fund accounts for ad valorem maintenance taxes, customer service revenues, rebate revenues, service costs and general expenditures.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 372
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2025**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI") and other supplementary information. A budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$11,451,952 as of August 31, 2025.

A portion of the District's net position reflects its net investment in capital assets (e.g. land, buildings, equipment and impact fees, as well as water, wastewater and drainage facilities, less any debt used to acquire those assets that is still outstanding).

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 372
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2025**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2025	2024	Change Positive (Negative)
Current and Other Assets	\$ 2,649,409	\$ 2,707,955	\$ (58,546)
Capital Assets (Net of Accumulated Depreciation)	9,260,011	9,247,436	12,575
Total Assets	\$ 11,909,420	\$ 11,955,391	\$ (45,971)
Other Liabilities	457,468	304,478	(152,990)
Net Position:			
Net Investment in Capital Assets	\$ 9,260,011	\$ 9,247,436	\$ 12,575
Unrestricted	2,191,941	2,403,477	(211,536)
Total Net Position	\$ 11,451,952	\$ 11,650,913	\$ (198,961)

The following table provides a summary of the District's operations for the years ending August 31, 2025, and August 31, 2024.

	Summary of Changes in the Statement of Activities		
	2025	2024	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 983,921	\$ 1,060,654	\$ (76,733)
Charges for Services	1,637,453	1,546,767	90,686
Other Revenues	201,954	261,052	(59,098)
Total Revenues	\$ 2,823,328	\$ 2,868,473	\$ (45,145)
Expenses for Services	3,022,289	2,613,404	(408,885)
Change in Net Position	\$ (198,961)	\$ 255,069	\$ (454,030)
Net Position, Beginning of Year	11,650,913	11,395,844	255,069
Net Position, End of Year	\$ 11,451,952	\$ 11,650,913	\$ (198,961)

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 372
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2025**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's fund balance as August 31, 2025, were \$2,149,529, a decrease of \$224,381 from the prior year.

The General Fund fund balance decreased by \$224,381, primarily due to operating costs exceeding service revenues, rebate revenues and property tax collections.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors annually adopts an unappropriated budget for the General Fund. Actual revenues were \$217,417 less than budgeted revenues and actual expenditures were \$441,728 less than budgeted expenditures, which resulted in a positive budget variance of \$224,311. See budget versus actual comparison for more details.

CAPITAL ASSETS

Capital assets as of August 31, 2025, total \$9,260,011 (net of accumulated depreciation) and include land, buildings, equipment and impact fees as well as the water, wastewater and drainage systems. Capital asset events during the current fiscal year included the Sanitary Sewer Rehab, Lift Station Rehab and Water Well Rehab.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2025	2024	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 3,156,583	\$ 3,156,583	\$
Construction in Progress	259,623	37,097	222,526
Capital Assets, Net of Accumulated Depreciation:			
Water System	2,706,385	2,708,623	(2,238)
Wastewater System	1,202,447	1,263,861	(61,414)
Drainage	1,755,952	1,891,720	(135,768)
Impact Fees	179,021	189,552	(10,531)
Total Net Capital Assets	\$ 9,260,011	\$ 9,247,436	\$ 12,575

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 372
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2025**

LONG-TERM DEBT ACTIVITY

As of August 31, 2025, the District had no outstanding debt.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Municipal Utility District No. 372, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 372
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
AUGUST 31, 2025

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	\$ 256,214	\$	\$ 256,214
Investments	2,064,005		2,064,005
Receivables:			
Property Taxes	34,005		34,005
Penalty and Interest on Delinquent Taxes		8,407	8,407
Service Accounts	250,448		250,448
Accrued Interest	33,757		33,757
Other	2,573		2,573
Land		3,156,583	3,156,583
Construction in Progress		259,623	259,623
Capital Assets (Net of Accumulated Depreciation)		5,843,805	5,843,805
TOTAL ASSETS	\$ 2,641,002	\$ 9,268,418	\$ 11,909,420
LIABILITIES			
Accounts Payable	\$ 396,127	\$	\$ 396,127
Due to Taxpayers	991		991
Security Deposits	60,350		60,350
TOTAL LIABILITIES	\$ 457,468	\$ - 0 -	\$ 457,468
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	\$ 34,005	\$ (34,005)	\$ - 0 -
FUND BALANCE			
Assigned to 2026 Budget	\$ 1,460,750	\$ (1,460,750)	\$
Unassigned	688,779	(688,779)	
TOTAL FUND BALANCE	\$ 2,149,529	\$ (2,149,529)	\$ - 0 -
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
	\$ 2,641,002		
NET POSITION			
Net Investment in Capital Assets		\$ 9,260,011	\$ 9,260,011
Unrestricted		2,191,941	2,191,941
TOTAL NET POSITION		\$ 11,451,952	\$ 11,451,952

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 372
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2025

Total Fund Balances - Governmental Fund	\$ 2,149,529
---	--------------

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.	9,260,011
--	-----------

Deferred inflows of resources related to property tax revenues on delinquent taxes and penalty and interest receivable for the 2024 and prior tax levies became part of recognized revenues in the governmental activities of the District.	<u>42,412</u>
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Total Net Position - Governmental Activities	<u>\$ 11,451,952</u>
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The accompanying notes to the financial statements are an integral part of this report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 372
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED AUGUST 31, 2025

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUES			
Property Taxes	\$ 975,883	\$ 8,038	\$ 983,921
Water Service	1,109,449		1,109,449
Wastewater Service	480,193		480,193
Sewer Rebate Revenue	72,216		72,216
Penalty and Interest	40,664	4,807	45,471
Tap Connection and Inspection Fees	2,340		2,340
Investment Revenues	113,795		113,795
Miscellaneous Revenues	15,943		15,943
TOTAL REVENUES	<u>\$ 2,810,483</u>	<u>\$ 12,845</u>	<u>\$ 2,823,328</u>
EXPENDITURES/EXPENSES			
Service Operations:			
Professional Fees	\$ 207,239	\$	\$ 207,239
Contracted Services	458,058		458,058
Purchased Water Service	984,238		984,238
Purchased Wastewater Service	236,064		236,064
Utilities	28,085		28,085
Repairs and Maintenance	648,200		648,200
Depreciation		352,619	352,619
Other	107,786		107,786
Capital Outlay	365,194	(365,194)	
TOTAL EXPENDITURES/EXPENSES	<u>\$ 3,034,864</u>	<u>\$ (12,575)</u>	<u>\$ 3,022,289</u>
NET CHANGE IN FUND BALANCES	\$ (224,381)	\$ 224,381	\$
CHANGE IN NET POSITION		(198,961)	(198,961)
FUND BALANCES/NET POSITION - SEPTEMBER 1, 2024	<u>2,373,910</u>	<u>9,277,003</u>	<u>11,650,913</u>
FUND BALANCES/NET POSITION - AUGUST 31, 2025	<u>\$ 2,149,529</u>	<u>\$ 9,302,423</u>	<u>\$ 11,451,952</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 372
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2025

Net Change in Fund Balances - Governmental Funds	\$ (224,381)
Governmental funds report tax revenues when collected. However, in the government-wide financial statements, revenues are recorded in the accounting period for which the taxes are levied.	8,038
Governmental funds report penalty and interest revenues on property taxes when collected. However, in the government-wide financial statements, revenues are recorded when penalty and interest are assessed.	4,807
Governmental funds do not account for depreciation. However, in the government-wide financial statements, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(352,619)
Governmental funds report capital asset costs as expenditures in the period purchased. However, in the government-wide financial statements, capital assets are increased by new purchases that meet the District's threshold for capitalization, and are owned and maintained by the District. All other capital assets are expensed in the Statement of Activities.	<u>365,194</u>
Change in Net Position - Governmental Activities	<u><u>\$ (198,961)</u></u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 372
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

NOTE 1. CREATION OF DISTRICT

Harris County Municipal Utility District No. 372 of Harris County, Texas was created on November 5, 1999, by an Order of the Texas Natural Resource Conservation Commission, presently known as the Texas Commission on Environmental Quality (the “Commission”). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling and parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on November 23, 1999, and the first bonds were sold on September 12, 2000.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 372
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 372
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

Governmental Funds

The District has one governmental fund.

General Fund - To account for ad valorem maintenance taxes, customer service revenues, rebate revenues, service costs and general expenditures.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenues reported in governmental funds to be available if they are collectable within 60 days after year-end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due. The District has applied a current accounting standard that provides for an exception to the basic concept that general long-term indebtedness is not reported as an expenditure until the amount becomes due and payable.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 372
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

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

	Years
Water System	20-45
Wastewater System	20-45
Drainage System	20-45
Impact Fees	30

Budgeting

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

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are considered to be wages subject to federal income tax withholding for payroll purposes only.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 372
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

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

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

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally. The District does not have any restricted fund balances.

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

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. As of August 31, 2025, the District has assigned \$1,460,750 of the General Fund fund balance to cover a portion of the 2026 fiscal year budget.

Unassigned: all other spendable amounts in the General Fund.

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 372
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

As of August 31, 2025, the District had no outstanding debt. The District had authorized but unissued tax bonds in the amount of \$22,285,000 and authorized but unissued refunding bonds in the amount of \$23,027,400.

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

During the year ended August 31, 2025, the District did not levy an ad valorem debt service tax rate in the current year.

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

NOTE 4. SIGNIFICANT BOND RESOLUTIONS AND LEGAL REQUIREMENTS

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

The bond resolutions state that the District is required to provide to the Municipal Securities Rulemaking Board via its Electronic Municipal Market Access system continuing disclosure of annual financial information and operating data with respect to the District. The information is of the general type included in the annual audit report and must be filed within six months after the end of each fiscal year of the District.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 372
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year-end, the carrying amount of the District’s deposits was \$2,301,214 and the bank balance was \$2,651,723. The District was not exposed to custodial credit risk at year-end.

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

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 256,214	\$ 2,045,000	\$ 2,301,214

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District’s financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District’s investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.” No person may invest District funds without express written authority from the Board of Directors.

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 372
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

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

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

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
Texas CLASS	\$ 19,005	\$ 19,005
Certificates of Deposit	2,045,000	2,045,000
TOTAL INVESTMENTS	\$ 2,064,005	\$ 2,064,005

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At August 31, 2025, the District’s investments in Texas CLASS were rated “AAAm” by Standard and Poor’s. The District also manages credit risk by investing in certificates of deposit covered by FDIC insurance.

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 372
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

NOTE 6. CAPITAL ASSETS

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

	September 1, 2024	Increases	Decreases	August 31, 2025
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 3,156,583	\$	\$	\$ 3,156,583
Construction in Progress	37,097	365,194	142,668	259,623
Total Capital Assets Not Being Depreciated	\$ 3,193,680	\$ 365,194	\$ 142,668	\$ 3,416,206
Capital Assets Subject to Depreciation				
Water System	\$ 5,175,400	\$ 142,668	\$	\$ 5,318,068
Wastewater System	2,459,624			2,459,624
Drainage System	4,077,773			4,077,773
Impact Fees	421,230			421,230
Total Capital Assets Subject to Depreciation	\$ 12,134,027	\$ 142,668	\$ -0-	\$ 12,276,695
Accumulated Depreciation				
Water System	\$ 2,466,777	\$ 144,906	\$	\$ 2,611,683
Wastewater System	1,195,763	61,414		1,257,177
Drainage System	2,186,053	135,768		2,321,821
Impact Fees	231,678	10,531		242,209
Total Accumulated Depreciation	\$ 6,080,271	\$ 352,619	\$ -0-	\$ 6,432,890
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 6,053,756	\$ (209,951)	\$ -0-	\$ 5,843,805
Total Capital Assets, Net of Accumulated Depreciation	\$ 9,247,436	\$ 155,243	\$ 142,668	\$ 9,260,011

NOTE 7. MAINTENANCE TAX

At an election held on January 15, 2000, the voters of the District approved the levy and collection of a maintenance tax at a rate not to exceed \$1.50 per \$100 of assessed valuation of taxable property within the District. The maintenance tax is to be used by the General Fund to fund expenditures of operating the District's waterworks and sanitary sewer system. During the year ended August 31, 2025, the District levied an ad valorem maintenance tax rate of \$0.105 per \$100 of assessed valuation, which resulted in a tax levy of \$984,686 on the adjusted taxable valuation of \$937,796,209 for the 2024 tax year.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 372
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

NOTE 8. GROUNDWATER REDUCTION PLAN

The District is within the boundaries of the Harris Galveston Subsidence District (the “Subsidence District”), which regulates groundwater withdrawal. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to surface water in certain areas within the Subsidence District’s jurisdiction, including the area within the District. The District has entered into a Water Supply Contract with the City of Houston, Texas (the “City”), as described in Note 9, to obtain treated surface water. The District has developed a groundwater reduction plan (“GRP”) and obtained Subsidence District approval of its GRP. The District’s GRP sets forth the District’s plan to comply with Subsidence District regulations by buying treated surface water from the City.

Under the Subsidence District regulations and the GRP, the District is required: (i) beginning in the year 2025, to limit groundwater withdrawals to no more than 40% of the total annual water demand of the water use within the District; and (iii) beginning in the year 2035, to limit groundwater withdrawals to no more than 20% of the total annual water demand of the water use within the District. If the District fails to comply with the above Subsidence District regulations or its GRP, the District is subject to a substantial disincentive fee penalty of \$12.12 per 1,000 gallons imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total water demand in the District.

NOTE 9. WATER SUPPLY CONTRACT WITH THE CITY OF HOUSTON

The District entered into a Water Supply Contract with the City (the “Water Agreement”) on June 16, 2000. The City requires an impact fee per equivalent single-family connection to be paid by the District, and this fee is subject to change. Under the Water Agreement, the District receives water through master meters located near the boundaries of the District and at the District’s Water Repressurization Plant (the “Water Plant”).

The District has the ability to either take water at the City’s water distribution pressure or divert water to the District’s water plant and supply water at higher pressure. The Water Plant consists of a 400,000-gallon ground storage tank, a 20,000-gallon pressure tank and four booster pumps with a total combined capacity of 3,400 gpm. Under the Water Agreement, the District is obligated to pay a rate per 1,000 gallons for water delivered directly to the District’s water distribution system under pressure or a rate per 1,000 gallons for water delivered to the Water Plant through an air gap. Both wholesale rates are subject to change from time to time. The District is obligated to take a minimum of 10,000,000 gallons per month on a “take or pay” basis with amounts in excess of the minimum charged at a slightly higher rate. The District may adjust the minimum amount of “take or pay” by giving notice to the City once each year. The agreement shall expire on the 40th anniversary of the contract date. During the current fiscal year, the District recorded expenditures of \$984,238 related to this contract.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 372
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

NOTE 10. UTILITY FUNCTIONS AND SERVICES ALLOCATION AGREEMENT

The District entered into a Utility Functions and Services Allocation Agreement with the City (the “Wastewater Agreement”) on June 30, 2000, for wastewater capacity. Initially, the City requires an impact fee per equivalent single-family connection or service unit to be paid by the District. This fee is subject to change. Under the Wastewater Agreement, wastewater generated by the District is received by the City at or near the boundaries of the District, entering the City’s collection system for treatment by the City’s wastewater plants. The majority of the District’s wastewater is treated at the City’s Upper Brays Plant pursuant to the Wastewater Agreement with the City. Royal Oaks Country Club, Section Nine (70 lots) and certain commercial tracts are treated by the City’s Beltway plant. The Wastewater Agreement also provides that (i) certain facilities to be constructed by the District located in major thoroughfares will be conveyed to the City for ownership and maintenance upon completion, and (ii) the District will receive a rebate of City taxes levied within the District attributable to the City’s Storm Sewer Bonds (currently approximately \$0.04 per \$100 taxable assessed valuation).

During the current fiscal year, the District recorded expenditures of \$236,064 and rebate revenue in the amount of \$72,216 per the Wastewater Agreement.

NOTE 11. DRAINAGE AGREEMENT WITH THE CITY OF HOUSTON

The District entered into a Drainage Participation Agreement with the City (the “Drainage Agreement”) on May 8, 2012, providing for the maintenance of the District’s drainage and detention system. In the Drainage Agreement, the District agrees to expend funds on drainage and detention maintenance within the District at least equal to the amount the City would collect within the District under the City’s ReBuild Houston program, enacted in Chapter 47, Article XIV of the City’s Code of Ordinances. Under the ReBuild Houston program, the City charges individual landowners a fee to be used for drainage and other projects within the City, but that fee will not be collected in the District pursuant to the Drainage Agreement. The required District expenditures will change from time to time but are not expected to exceed the amount the District would typically expend for drainage and detention without the Drainage Agreement.

NOTE 12. 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. The District participates in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide property, general liability, pollution liability, automobile liability, boiler and machinery, public officials liability, cyber liability, workers compensation coverage and fidelity bonds. The District, along with other participating entities, contributes annual amounts determined by TML’s management. As claims arise, they are submitted and paid by TML. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 372
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

NOTE 13. SUBSEQUENT EVENT

On December 8, 2025, the Board adopted a resolution authorizing application to the Texas Commission on Environmental Quality for approval of project and bonds in the amount of \$7,280,000. The Bond will be used to fund the Bray's Bayou untreated water project and the modifications to the District's existing water supply facilities, open cut construction methods of all proposed well collection lines, potable water improvements, non-potable improvements and storm sewer rehabilitation costs.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 372

REQUIRED SUPPLEMENTARY INFORMATION

AUGUST 31, 2025

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 372
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2025

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 1,093,600	\$ 975,883	\$ (117,717)
Water Service	1,118,000	1,109,449	(8,551)
Wastewater Service	488,000	480,193	(7,807)
Sewer Rebate Revenue	69,700	72,216	2,516
Penalty and Interest	28,100	40,664	12,564
Tap Connection and Inspection Fees	2,600	2,340	(260)
Investment Revenues	147,100	113,795	(33,305)
Miscellaneous Revenues	80,800	15,943	(64,857)
TOTAL REVENUES	\$ 3,027,900	\$ 2,810,483	\$ (217,417)
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 142,000	\$ 207,239	\$ (65,239)
Contracted Services	448,600	458,058	(9,458)
Purchased Water Service	984,500	984,238	262
Purchased Wastewater Service	214,300	236,064	(21,764)
Utilities	24,060	28,085	(4,025)
Repairs and Maintenance	262,800	648,200	(385,400)
Other	102,500	107,786	(5,286)
Capital Outlay	1,297,832	365,194	932,638
TOTAL EXPENDITURES	\$ 3,476,592	\$ 3,034,864	\$ 441,728
NET CHANGE IN FUND BALANCE	\$ (448,692)	\$ (224,381)	\$ 224,311
FUND BALANCE - SEPTEMBER 1, 2024	2,373,910	2,373,910	_____
FUND BALANCE - AUGUST 31, 2025	\$ 1,925,218	\$ 2,149,529	\$ 224,311

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 372

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

AUGUST 31, 2025

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 372
SERVICES AND RATES
FOR THE YEAR ENDED AUGUST 31, 2025

1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

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

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 3/4” METER (OR EQUIVALENT):

Based on the rate order effective August 25, 2025.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 11.19	2,000	N	\$ 4.37 \$ 6.46 \$ 7.20	2,001 to 6,000 6,001 to 10,000 10,001 and up
WASTEWATER:	\$ 7.04	2,000	N	\$ 6.75	2,001 and up
SURCHARGE:	\$ -0-				

District employs winter averaging for wastewater usage?

_____ X
 Yes No

Total monthly charges per 10,000 gallons usage: Water: \$54.51 Wastewater: \$61.04 Total: \$115.55

See accompanying independent auditor’s report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 372
SERVICES AND RATES
FOR THE YEAR ENDED AUGUST 31, 2025

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered	_____	_____	x 1.0	_____
≤ ³ / ₄ "	<u>7</u>	<u>7</u>	x 1.0	<u>7</u>
1"	<u>1,502</u>	<u>1,492</u>	x 2.5	<u>3,730</u>
1½"	<u>54</u>	<u>54</u>	x 5.0	<u>270</u>
2"	<u>16</u>	<u>16</u>	x 8.0	<u>128</u>
3"	_____	_____	x 15.0	_____
4"	_____	_____	x 25.0	_____
6"	<u>1</u>	<u>1</u>	x 50.0	<u>50</u>
8"	_____	_____	x 80.0	_____
10"	<u>3</u>	<u>3</u>	x 115.0	<u>345</u>
Total Water Connections	<u><u>1,583</u></u>	<u><u>1,573</u></u>		<u><u>4,530</u></u>
Total Wastewater Connections	<u><u>873</u></u>	<u><u>871</u></u>	x 1.0	<u><u>871</u></u>

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

Water Accountability Ratio: 91.8 %
(Gallons billed and sold/Gallons pumped and purchased)

Gallons purchased:	195,029,000	From: City of Houston
Gallons billed to customers:	178,982,000	

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 372
SERVICES AND RATES
FOR THE YEAR ENDED AUGUST 31, 2025

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

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County or Counties in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely Partly Not at all

City or Cities in which the District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 372
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 2025

PROFESSIONAL FEES:	
Arbitrage Compliance	\$ 7,500
Auditing	17,500
Engineering	92,397
Legal	84,154
Delinquent Tax Attorney	<u>5,688</u>
TOTAL PROFESSIONAL FEES	<u>\$ 207,239</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 984,238
Purchased Wastewater Service	<u>236,064</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 1,220,302</u>
CONTRACTED SERVICES:	
Appraisal District	\$ 5,601
Bookkeeping	54,273
Operations and Billing	107,043
Solid Waste Disposal	245,300
Street Sweeping	33,500
Tax Collector	<u>12,341</u>
TOTAL CONTRACTED SERVICES	<u>\$ 458,058</u>
UTILITIES:	
Electricity	\$ 21,103
Telephone	<u>6,982</u>
TOTAL UTILITIES	<u>\$ 28,085</u>
REPAIRS AND MAINTENANCE	<u>\$ 648,200</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 12,376
Dues	750
Insurance	15,563
Legal Notices	848
Office Supplies and Postage	8,758
Payroll Taxes	947
Travel and Meetings	5,714
Other	<u>14,926</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 59,882</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 372
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 2025

CAPITAL OUTLAY	<u>\$ 365,194</u>
OTHER EXPENDITURES:	
Chemicals	\$ 7,519
Laboratory Fees	10,534
Permit Fees	2,494
Reconnection Fees	16,881
Inspection Fees	2,956
Regulatory Assessment	<u>7,520</u>
TOTAL OTHER EXPENDITURES	<u>\$ 47,904</u>
TOTAL EXPENDITURES	<u><u>\$ 3,034,864</u></u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 372
INVESTMENTS
AUGUST 31, 2025

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
Texas CLASS	XXXX0001	Varies	Daily	\$ 19,005	\$
Certificate of Deposit	XXXX8754	4.00%	03/26/26	235,000	4,069
Certificate of Deposit	XXXX9003	4.00%	07/28/26	200,000	745
Certificate of Deposit	XXXX2050	4.25%	12/16/25	235,000	1,998
Certificate of Deposit	XXXX8242	4.56%	09/09/25	235,000	4,991
Certificate of Deposit	XXXX0411	4.00%	12/21/25	235,000	4,069
Certificate of Deposit	XXXX0372	4.18%	01/23/26	235,000	941
Certificate of Deposit	XXXX9896	4.15%	07/31/26	200,000	705
Certificate of Deposit	XXXX5223	4.55%	09/18/25	235,000	8,906
Certificate of Deposit	XXXX3313	4.25%	12/06/25	235,000	7,333
TOTAL GENERAL FUND				<u>\$ 2,064,005</u>	<u>\$ 33,757</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 372
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2025

	Maintenance Taxes		Debt Service Taxes		
TAXES RECEIVABLE -					
SEPTEMBER 1, 2024	\$	19,124	\$	6,843	
Adjustments to Beginning					
Balance		<u>(755)</u>	\$	<u>6,833</u>	
		\$	18,369		
Original 2024 Tax Levy	\$	960,784	\$	- 0 -	
Adjustment to 2024 Tax Levy		<u>23,902</u>	<u>984,686</u>	<u>\$ - 0 -</u>	
TOTAL TO BE					
ACCOUNTED FOR		\$	1,003,055	\$	6,833
TAX COLLECTIONS:					
Prior Years	\$	11,878	\$	451	
Current Year		<u>963,554</u>	<u>975,432</u>	<u>451</u>	
TAXES RECEIVABLE -					
AUGUST 31, 2025		<u>\$ 27,623</u>		<u>\$ 6,382</u>	
TAXES RECEIVABLE BY					
YEAR:					
2024	\$	21,132	\$		
2023		5,110			
2022		657		2,637	
2021		273		1,389	
2020		223		1,137	
2019		187		899	
2018		5		28	
2017		7		39	
2016		7		40	
2015		5		28	
2014 and prior		<u>17</u>		<u>185</u>	
TOTAL		<u>\$ 27,623</u>		<u>\$ 6,382</u>	

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 372
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2025

	2024	2023	2022	2021
PROPERTY VALUATIONS:				
Land	\$ 276,507,379	\$ 276,739,817	\$ 276,682,577	\$ 259,027,684
Improvements	663,445,892	687,432,840	577,847,013	527,035,373
Personal Property	9,216,747	8,725,027	9,784,303	5,615,642
Exemptions	<u>(11,373,809)</u>	<u>(48,729,199)</u>	<u>(21,978,901)</u>	<u>(8,552,391)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 937,796,209</u>	<u>\$ 924,168,485</u>	<u>\$ 842,334,992</u>	<u>\$ 783,126,308</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.000	\$ 0.000	\$ 0.1300	\$ 0.1400
Maintenance**	<u>0.105</u>	<u>0.115</u>	<u>0.0324</u>	<u>0.0275</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.105</u>	<u>\$ 0.115</u>	<u>\$ 0.1624</u>	<u>\$ 0.1675</u>
ADJUSTED TAX LEVY*	<u>\$ 984,686</u>	<u>\$ 1,062,794</u>	<u>\$ 1,367,952</u>	<u>\$ 1,311,736</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>97.85 %</u>	<u>99.52 %</u>	<u>99.76 %</u>	<u>99.87 %</u>

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

** Maintenance Tax – A rate not to exceed \$1.50 per \$100 of assessed valuation approved by voters on January 15, 2000.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 372
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2025	2024	2023
REVENUES			
Property Taxes	\$ 975,883	\$ 1,057,440	\$ 275,545
Water Service	1,109,449	1,040,132	1,024,807
Wastewater Service	480,193	463,149	459,996
Sewer Rebate Revenue	72,216	67,675	78,373
Penalty and Interest	40,664	41,432	21,237
Tap Connection and Inspection Fees	2,340	2,520	1,980
Investment Revenues	113,795	162,530	119,921
Miscellaneous Revenues	15,943	16,791	16,317
TOTAL REVENUES	\$ 2,810,483	\$ 2,851,669	\$ 1,998,176
EXPENDITURES			
Professional Fees	\$ 207,239	\$ 166,979	\$ 170,923
Contracted Services	458,058	464,510	418,077
Purchased Water and Wastewater Service	1,220,302	1,154,881	1,125,039
Utilities	28,085	23,945	23,221
Repairs and Maintenance	648,200	355,117	541,082
Other	107,786	98,894	83,550
Capital Outlay	365,194	138,843	
Debt Service: Principal and Interest		1,107,450	
TOTAL EXPENDITURES	\$ 3,034,864	\$ 3,510,619	\$ 2,361,892
EXCESS (DEFICIENCY) OF REVENUES			
NET CHANGE IN FUND BALANCE	\$ (224,381)	\$ (658,950)	\$ (363,716)
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	\$ - 0 -	\$ 328,447	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ (224,381)	\$ (330,503)	\$ (363,716)
BEGINNING FUND BALANCE	2,373,910	2,704,413	3,068,129
ENDING FUND BALANCE	\$ 2,149,529	\$ 2,373,910	\$ 2,704,413

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2022	2021	2025	2024	2023	2022	2021
\$ 211,423	\$ 214,568	34.7 %	37.0 %	13.8 %	11.6 %	12.5 %
1,012,432	911,883	39.5	36.5	51.3	55.4	53.0
461,185	448,238	17.1	16.2	23.0	25.2	26.0
82,035	93,924	2.6	2.4	3.9	4.5	5.5
23,305	14,046	1.4	1.5	1.1	1.3	0.8
2,520	2,160	0.1	0.1	0.1	0.1	0.1
14,353	18,278	4.0	5.7	6.0	0.8	1.1
19,247	18,070	0.6	0.6	0.8	1.1	1.0
<u>\$ 1,826,500</u>	<u>\$ 1,721,167</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 105,744	\$ 114,964	7.4 %	5.9 %	8.6 %	5.8 %	6.7 %
404,899	269,061	16.3	16.3	20.9	22.2	15.6
966,818	817,258	43.4	40.5	56.3	52.9	47.5
24,433	21,844	1.0	0.8	1.2	1.3	1.3
241,686	249,953	23.1	12.5	27.1	13.2	14.5
78,239	69,646	3.8	3.5	4.2	4.3	4.0
5,076	56,606	13.0	4.9		0.3	3.3
			38.8			
<u>\$ 1,826,895</u>	<u>\$ 1,599,332</u>	<u>108.0 %</u>	<u>123.2 %</u>	<u>118.3 %</u>	<u>100.0 %</u>	<u>92.9 %</u>
<u>\$ (395)</u>	<u>\$ 121,835</u>	<u>(8.0) %</u>	<u>(23.2) %</u>	<u>(18.3) %</u>	<u>0.0 %</u>	<u>7.1 %</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ (395)	\$ 121,835					
3,068,524	2,946,689					
<u>\$ 3,068,129</u>	<u>\$ 3,068,524</u>					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 372
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2025	2024	2023
REVENUES			
Property Taxes	\$	\$	\$ 1,113,538
Penalty and Interest			33,837
Investment Revenues		11,217	40,531
Miscellaneous Revenues		29	
TOTAL REVENUES	\$ - 0 -	\$ 11,246	\$ 1,187,906
EXPENDITURES			
Tax Collection Expenditures	\$	\$	\$ 44,882
Debt Service Principal			1,040,000
Debt Service Interest and Fees			71,325
TOTAL EXPENDITURES	\$ - 0 -	\$ - 0 -	\$ 1,156,207
EXCESS (DEFICIENCY) OF REVENUES			
NET CHANGE IN FUND BALANCE	\$ - 0 -	\$ 11,246	\$ 31,699
OTHER FINANCING SOURCES (USES)			
Transfers In	<u>\$ - 0 -</u>	<u>\$ (328,447)</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	\$ - 0 -	\$ (317,201)	\$ 31,699
BEGINNING FUND BALANCE		<u>317,201</u>	<u>285,502</u>
ENDING FUND BALANCE	<u><u>\$ - 0 -</u></u>	<u><u>\$ - 0 -</u></u>	<u><u>\$ 317,201</u></u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>1,573</u>	<u>1,571</u>	<u>1,569</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>871</u>	<u>870</u>	<u>871</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
<u>2022</u>	<u>2021</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
\$ 1,076,333	\$ 1,091,633	\$ %	%	93.8 %	97.8 %	98.4 %
16,286	15,933			2.8	1.5	1.4
7,520	2,212		99.7	3.4	0.7	0.2
3	24		0.3			
<u>\$ 1,100,142</u>	<u>\$ 1,109,802</u>	<u>N/A</u> %	<u>100.0</u> %	<u>100.0</u> %	<u>100.0</u> %	<u>100.0</u> %
\$ 33,615	\$ 32,389	\$ %	%	3.8 %	3.1 %	2.9 %
1,020,000	1,000,000			87.5	92.7	90.1
103,625	135,325			6.0	9.4	12.2
<u>\$ 1,157,240</u>	<u>\$ 1,167,714</u>	<u>N/A</u> %	<u>0.0</u> %	<u>97.3</u> %	<u>105.2</u> %	<u>105.2</u> %
\$ (57,098)	\$ (57,912)	<u>N/A</u> %	<u>100.0</u> %	<u>2.7</u> %	<u>(5.2)</u> %	<u>(5.2)</u> %
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ (57,098)	\$ (57,912)					
342,600	400,512					
<u>\$ 285,502</u>	<u>\$ 342,600</u>					
<u>1,565</u>	<u>1,561</u>					
<u>869</u>	<u>868</u>					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 372
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
AUGUST 31, 2025

District Mailing Address - Harris County Municipal Utility District No. 372
c/o Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, TX 77027

District Telephone Number - (713) 860-6400

Board Members	Term of Office (Elected or <u>Appointed</u>) *	Fees of Office for the year ended <u>August 31, 2025</u>	Expense Reimbursements for the year ended <u>August 31, 2025</u>	<u>Title</u>
Darin C. Gosda	05/22 05/26 (Elected)	\$ 2,431	\$ -0-	President
Karen Brand	05/22 05/26 (Elected)	\$ 2,652	\$ -0-	Vice President
Mark L. Clark	05/24 05/28 (Elected)	\$ 2,431	\$ -0-	Secretary
Kurt Prohl	05/24 05/28 (Elected)	\$ 2,652	\$ -0-	Assistant Vice President
Robert Herrmann	05/22 05/26 (Elected)	\$ 2,210	\$ -0-	Assistant Secretary

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

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054):
May 29, 2024.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution (TWC Section 49.060) on June 25, 2007. Fees of Office are the amounts paid to a Director during the District’s current fiscal year.

See accompanying independent auditor’s report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 372
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
AUGUST 31, 2025

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended August 31, 2025</u>	<u>Title</u>
Allen Boone Humphries Robinson LLP	07/28/03	\$ 91,482	General Counsel
McCall Gibson Swedlund Barfoot Ellis PLLC	07/28/14	\$ 17,500	Auditor
Municipal Accounts & Consulting, L.P.	12/20/99	\$ 58,063	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, LLP	03/26/01	\$ 5,688	Delinquent Tax Attorney
IDS Engineering Group	09/01/99	\$ 225,532	Engineer
Masterson Advisors LLC	08/27/18	\$ -0-	Financial Advisor
Inframark, LLC	12/20/99	\$ 828,878	Operator
Assessments of the Southwest, Inc.	07/05/01	\$ 18,346	Tax Assessor/ Collector

See accompanying independent auditor's report.