PRELIMINARY OFFICIAL STATEMENT DATED MAY 28, 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 Initial Purchaser

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

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

BOOK-ENTRY-ONLY

Underlying Rating: Moody's "A2"
See "MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE" herein.

$12,700,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 154

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

UNLIMITED TAX BONDS
SERIES 2026

Dated: July 1, 2026

Interest Accrual Date: Date of Delivery **Due: April 1, as shown below**

Principal of the $12,700,000 Unlimited Tax Bonds, Series 2026 (the "Bonds") will be payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A., Houston, Texas (the "Paying Agent/Registrar"). See "THE BONDS—Paying Agent/Registrar." Interest on the Bonds will accrue from the initial date of delivery (expected to be on or about July 23, 2026) (the "Date of Delivery") and will be payable semiannually on October 1 and April 1 of each year commencing October 1, 2026 until maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued in fully registered form only in denominations of $5,000 each or integral multiples thereof. The Bonds will be subject to redemption prior to their maturity, as shown below.

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

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Due (April 1)	Principal Amount (a)	Interest Rate	Initial Reoffering Yield (b)	CUSIP Number (c)	Due (April 1)	Principal Amount (a)	Interest Rate	Initial Reoffering Yield (b)	CUSIP Number (c)
2030	$ 215,000				2041	$ 675,000 (d)			
2031	215,000				2042	710,000 (d)			
2032	215,000				2043	745,000 (d)			
2033	215,000 (d)				2044	785,000 (d)			
2034	215,000 (d)				2045	820,000 (d)			
2035	215,000 (d)				2046	865,000 (d)			
2036	215,000 (d)				2047	905,000 (d)			
2037	215,000 (d)				2048	950,000 (d)			
2038	215,000 (d)				2049	1,000,000 (d)			
2039	215,000 (d)				2050	1,200,000 (d)			
2040	645,000 (d)				2051	1,250,000 (d)			

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

The Bonds, when issued, will constitute valid and legally binding obligations of Harris County Municipal Utility District No. 154 (the "District") and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, Texas, the City of Houston, Texas or any entity other than the District. Investment in the Bonds is subject to special investment considerations described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Houston, Texas, Bond Counsel. Certain other matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., Houston, Texas, Disclosure Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about July 23, 2026.

BIDS DUE: THURSDAY, JUNE 25, 2026 AT 11:00 A.M., HOUSTON TIME, HOUSTON, TEXAS
BID AWARD: THURSDAY, JUNE 25, 2026 AT 6:00 P.M., HOUSTON TIME, HOUSTON, TEXAS

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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 ("Rule 15c2-12") and in effect on the date hereof, this document constitutes an Official Statement with respect to the Bonds that has been "deemed final" by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

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

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

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

All of the summaries of the statutes, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Norton Rose Fulbright US LLP, 1550 Lamar Street, Suite 2000, Houston, Texas 77010, for further information.

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

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

OFFICIAL STATEMENT SUMMARY

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

THE FINANCING

The Issuer..Harris County Municipal Utility District No. 154 (the "District"), a political subdivision of the State of Texas, is located in Harris County, Texas. See "THE DISTRICT."

The Issue..$12,700,000 Harris County Municipal Utility District No. 154, Unlimited Tax Bonds, Series 2026, dated July 1, 2026 (the "Bonds"), are issued pursuant to an order (the "Bond Order") of the District's Board of Directors authorizing the issuance of the Bonds , Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including but not limited to Chapters 49 and 54, Texas Water Code, as amended, the Bond Order, an order of the Texas Commission on Environmental Quality (the "TCEQ" or "Commission"), and at elections held within the District, and an election held within the District. See "The BONDS." The Bonds will be issued as fully registered bonds maturing in the years and in the amounts and accruing interest at the rates shown on the cover hereof. Interest on the Bonds will accrue from the Date of Delivery and will be payable October 1 and April 1 of each year commencing October 1, 2026 until maturity or prior redemption and will be calculated on the basis of 360-day year consisting of twelve 30-day months. See "THE BONDS."

Redemption......................................The Bonds maturing on and after April 1, 2033 are subject to optional redemption, in whole or, from time to time, in part, on April 1, 2032, or on any date thereafter, at a price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption. See "THE BONDS—Redemption Provisions."

Book-Entry-Only ....The Bonds will be registered in the name of, and delivered only to, Cede & Co., the nominee of The Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC, which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."

Source of Payment...........................The Bonds are payable from an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston or any entity other than the District. See "THE BONDS—Source and Security for Payment."

Authority for Issuance ....At elections held within the District on August 12, 1978, April 7, 1979, February 2, 2002, and November 5, 2024, voters in the District authorized a total of $92,700,000 unlimited tax bonds for water, sewer and drainage facilities and $74,200,000 unlimited tax bonds issued for refunding purposes. The Bonds are the thirteenth installment of such authorization issued by the District. The Bonds are issued by the District pursuant to an order of the TCEQ, the terms and conditions of the Bond Order, an election held in the District, 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. After sale and issuance of the Bonds, the District will have $46,225,000 authorized but unissued unlimited tax bonds for water, sewer, and drainage facilities. See "THE BONDS—Authority for Issuance" and "—Issuance of Additional Debt."

Use of Proceeds...............................Proceeds from the sale of the Bonds will be used for (1) improvements to the Harris County MUD No. 221 Wastewater Treatment Plant; (2) construction of an emergency generator at Water Plant No. 1; (3); construction of surface water lines for Water Plant Nos. 1 and 2; (4) construction of surface water conversions for Water Plant Nos. 1 and 2; (5) engineering costs; and (6) to pay costs of issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Payment Record ....The District has previously issued eight series of unlimited tax bonds and five series of unlimited tax refunding bonds, of which a total of $11,195,000 remains outstanding as of May 1, 2026 (the "Outstanding Bonds"). The District has never defaulted on the debt service payments on the Outstanding Bonds.

Not Qualified Tax-Exempt Obligations ....The Bonds will not be designated as "qualified tax-exempt obligations" for financial institutions. See "LEGAL MATTERS—Not Qualified Tax-Exempt Obligations for Financial Institutions."

Bond Counsel ....Norton Rose Fulbright US LLP, Houston, Texas.

Disclosure Counsel ....McCall, Parkhurst & Horton L.L.P, Houston, Texas.

Financial Advisor............................Masterson Advisors LLC, Houston, Texas.

Paying Agent/Registrar...................The Bank of New York Mellon Trust Company, N.A., Houston, Texas.

Municipal Bond Insurance and Rating ....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 "A2" to the Bonds. Application has also been made to various municipal bond insurance companies for qualification of the Bonds for municipal bond insurance. If qualified, such insurance will be available at the option of the Initial Purchaser at the Initial Purchaser's expense. The rating fee of Moody's will be paid for by the District; payment of any other rating fee will be the responsibility of the Initial Purchaser. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance" and "MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE."

THE DISTRICT

Description ....The District is a conservation and reclamation district and a political subdivision of the State of Texas and operates as a municipal utility district pursuant to Chapter 49 and 54 of the Texas Water Code, as amended. The District is located in Harris County approximately 17 miles north of downtown Houston. The District is located east of Interstate Highway 45 and south of FM 1960. The District contains approximately 813 acres of land, which has been developed into 2,716 single family residential lots on approximately 577 acres, which includes the single family subdivisions of North View Section 1, North View West Sections 1 and 2, Willow West Sections 2, 3 and 4, portions of Northview Place Sections 3, 4, 5 and 6, Northview Park Section 4, Imperial Ridge Section 1, a portion of Imperial Trace Section 1, Imperial Trace Sections 2, 3, 4, 5 and 6, Imperial Garden Sections 1, 2, 3 and 4, and Imperial Heights Section 1.

As of May 28, 2026, the District contained 2,693 occupied single-family homes and 14 vacant single-family homes.

The majority of the District is located in the Spring Independent School District and a smaller portion (approximately 173 acres) is located in the Aldine Independent School District. Spring Independent School District has constructed Andy Dekaney High School on an approximately 81-acre tract of land within the District and has constructed Booker Elementary School on an 18-acre site within the District. Aldine Independent School District has constructed Lewis Middle School on an approximately 38-acre tract of land within the District. The schools are all exempt from taxation.

The District includes the La Escencia Apartments, which consist of 298 apartment units, and the Park at North Vista Townhouses, which consist of 252 apartment units, on a total of approximately 23 acres of land. Commercial development in the District includes four motels, the Honda of Spring and Munoz Auto Sales car dealerships, a small commercial shopping center, the offices of Volume International, an adult daycare facility and approximately 37,500 square foot of office warehouse, all of which is located on approximately 52 acres of land in the District.

In addition to the developed acreage, the District includes 24 acres of parks, recreational and green spaces, easements and water plant and lift station sites.

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2025 Certified Taxable Assessed Valuation	$723,262,207	(a)
Gross Direct Debt Outstanding	$23,895,000	(b)
Estimated Overlapping Debt	59,240,095	(c)
Gross Direct Debt and Estimated Overlapping Debt	$83,135,095	
Ratio of Gross Direct Debt to: 2025 Certified Taxable Assessed Valuation	3.30%	
Ratio of Gross Direct and Estimated Overlapping Debt to: 2025 Certified Taxable Assessed Valuation	11.49%	
Capital Project Fund Balance as of April 30, 2026	$2,727,062	
Debt Service Fund Balance as of April 30, 2026	$1,150,273	(d)
Operating Fund Available as of April 30, 2026	$7,720,565	
2025 Debt Service Tax Rate	$0.16	
2025 Maintenance Tax Rate	0.38	
Total	$0.54	
Projected Average Annual Debt Service Requirement (2027-2051)	$1,563,186	(e)
Tax Rate Required to Pay Average Annual Debt Service (2027-2051) at a 95% Collection Rate Based upon 2025 Certified Taxable Assessed Valuation	$0.23	
Projected Maximum Annual Debt Service Requirement (2029)	$1,842,334	(e)
Tax Rate Required to Pay Maximum Annual Debt Service (2029) at a 95% Collection Rate Based upon 2025 Certified Taxable Assessed Valuation	$0.27	

Water and sewer connections as of May 28, 2026 (f):

Single family residential – active	2,693	
Single family residential – inactive	14	
Single family residential – builder	0	
Commercial connections	11	
Other Connections	29	
Apartments (548 units)	2	
Estimated Population	10,522	(g)

(a) As certified by the Harris Central Appraisal District (the "Appraisal District").
(b) Includes the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."
(c) See "ESTIMATED OVERLAPPING DEBT STATEMENT."
(d) Neither Texas law nor the Bond Order requires that the District to maintain any minimum balance in the Debt Service Fund.
(e) See "DEBT SERVICE REQUIREMENTS."
(f) See "THE DISTRICT."
(g) Based upon 3.5 persons per occupied single-family residence and 2 persons per apartment unit.

PRELIMINARY OFFICIAL STATEMENT

$12,700,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 154

(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. 154 (the "District") of its $12,700,000 Unlimited Tax Bonds, Series 2026 (the "Bonds").

The Bonds are issued pursuant to Article XVI, section 59 of the Texas Constitution, the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, elections held within the District, an order authorizing the issuance of the Bonds (the "Bond Order") to be adopted by the Board of Directors of the District (the "Board") and an order of the Texas Commission on Environmental Quality (the "TCEQ" or "Commission").

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

THE BONDS

General

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

Description

The Bonds are dated July 1, 2026, and mature on April 1 in each of the years and in the amounts shown on the cover page hereof. Interest will accrue from the Date of Delivery and will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on October 1 and April 1, commencing October 1, 2026. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the partnership nominee of The Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Initially, principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., as registered owner. DTC will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."

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

The record date for payment of interest on any regularly scheduled interest payment date is defined as the 15th day of the month (whether or not a business day) preceding such interest payment date. If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day, as defined in the Bond Order, without additional interest and with the same force and effect as if made on the specified date for such payment.

Authority for Issuance

At elections held within the District on August 12, 1978, April 7, 1979, February 2, 2002, and November 5, 2024, voters of the District authorized a total of $92,700,000 in bonds for the purpose of acquiring or constructing water, sewer and drainage facilities and $74,200,000 for refunding purposes. The Bonds constitute the thirteenth issuance of bonds from such authorization. After sale of the Bonds, a total of $46,225,000 in principal amount of unlimited tax bonds for water, sewer and drainage facilities will remain authorized but unissued. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended; and an order of the Commission.

Before the Bonds can be issued, the Attorney General of Texas must pass on the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement. See "LEGAL MATTERS—Legal Opinions."

Paying Agent/Registrar

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

Registration, Transfer and Exchange

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

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

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

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

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

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

Redemption Provisions

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

Notice of redemption shall be mailed by the Paying Agent/Registrar in the name and at the expense of the District, not less than 30 days prior to the redemption date, to each Registered Owner of Bonds to be redeemed. All notices of redemption shall state:

1. the redemption date,
2. the redemption price,
3. the principal amount and identification (by CUSIP number (if obtained for the Bonds), stated maturity, interest rate, dated date, and, in the case of partial redemption within a stated maturity, the respective Bond numbers and principal amounts) of Bonds to be redeemed,
4. that on the redemption date the redemption price of each of the Bonds to be redeemed will become due and payable and that interest thereon shall cease to accrue from and after said date, and
5. that the Bonds to be redeemed are to be surrendered for payment of the redemption price at the place of payment, and the address of such place of payment.

Bonds of a denomination larger than $5,000 may be redeemed in part ($5,000 or any integral multiple thereof) and upon any partial redemption of any such Bonds the same shall be surrendered in exchange for one or more new Bonds of the same stated maturity in authorized denominations for the unredeemed portion of principal. Bonds (or portions thereof as aforesaid) for whose redemption and payment provision is made in accordance with the Bond Order will cease to bear interest from and after the redemption date. Optional redemption of the Bonds may be conditioned on the issuance of refunding bonds or other obligations to pay the redemption price.

Source of Payment

The Bonds are payable as to principal and interest from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied against taxable property within the District.

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

Annexation: Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District may be annexed by the City of Houston without the Districts consent, subject to compliance by the City of Houston with various requirements of Chapter 43 of the Texas Local Government Code, as amended, including the following: (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. If a city and a municipal utility district existing within its extraterritorial jurisdiction have entered into a strategic partnership agreement, however, the election and petition process specified above do not apply during the term of the agreement. The agreement may provide for a full purpose annexation or a limited purpose annexation. See "Strategic Partnership Agreement" herein.

If the District is annexed, the City of Houston must assume the District's assets and obligations (including the bonds) and abolish the District within 90 days of the date of annexation. Annexation of territory by the City of Houston is a policy-making matter within the discretion of the Mayor and City Council of the City of Houston, and therefore, the District makes no representation that the City of Houston will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City of Houston to make debt service payments should annexation occur.

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

Defeasance: Any Bond shall be deemed to be paid and shall no longer be considered to be a Bond within the meaning of the Bond Order when payment of the principal of and interest on such Bond to the stated maturity thereof or (if notice of redemption shall have been duly given, irrevocably provided for, or waived as provided herein) to the redemption date shall have been made or shall have been provided for by deposit with the Paying Agent/Registrar for such payment (or with any other bank or trust company which has agreed to hold the same for such purpose) (1) money sufficient to make such payment, (2) governmental obligations certified by an independent public accounting firm of national reputation to be of such maturities and interest payment dates and to bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment, or (3) a combination of money and governmental obligations together so certified sufficient to make such payment, *provided* that all the expenses pertaining to the Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Paying Agent/Registrar.

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

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

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

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

Strategic Partnership Agreement

Effective April 9, 2007, the District entered into a strategic partnership agreement with the City. Under the strategic partnership agreement, the City annexed the land within the District that has been developed for commercial use for the limited purposes of applying the City's planning and health and safety ordinances. The Agreement provides that the District continues to own and operate its water, sewer and drainage system, and the assets, liabilities, indebtedness and obligations of the District remain the responsibility of the District. The City imposes a sales and use tax on the area annexed for limited purposes. One-half of the revenues generated by the sales and use tax are returned to the District and may be used for any District purpose. Further, the City agreed not to annex the District for full purposes until the termination of the strategic partnership agreement in 2037.

Funds and Accounts

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

I. The Debt Service Fund is the District's interest and sinking fund. The Bond Order requires that the District credit to the Debt Service Fund on the issue date from the proceeds from the sale of the Bonds, an amount equal to the interest accruing on the Bonds from the dated date to the issue date,

II. all receipts of taxes (and penalty and interest thereon) levied to provide for the payment of principal of and interest on (or fees and expenses of the Paying Agent/Registrar with respect to) the Bonds,

III. all earnings from the investment of amounts credited to the Debt Service Fund, and

IV. any other funds of the District deposited to the Debt Service Fund to pay principal (or redemption price) of or interest on the Bonds.

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Issuance of Additional Debt

The District's voters have authorized the issuance of a total of $92,700,000 unlimited tax bonds for the purpose of purchasing, constructing, acquiring, owning, leasing, operating, repairing or extending facilities for a water, sewer and drainage system, making certain contract payments, and paying various expenses of the District, and could authorize additional amounts. The District has previously issued eight series of unlimited tax bonds and five series of unlimited tax refunding bonds, of which an aggregate of $11,195,000 principal amount was outstanding as of May 1, 2026. After the sale of the Bonds, a total of $46,225,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sewer and drainage facilities will remain authorized but unissued. The District additionally has authorized issuance of refunding bonds at one or more elections, but such authorization is only required if the District issues refunding bonds in a principal amount greater from the principal amount of the bonds refunded thereby. The Bond Order imposes no limitation on the amount of additional unlimited tax bonds which may be authorized for issuance by the District's voters or the amount that may ultimately be issued by the District. See "INVESTMENT CONSIDERATIONS—Future Debt."

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

The District may develop and finance with property taxes certain parks and recreational facilities after a district election has been successfully held to approve a maintenance tax to support parks and recreational facilities and/or issuance of bonds payable from taxes. The District may issue bonds payable from an ad valorem tax to pay for the development and maintenance of parks and recreational facilities if (i) the District duly adopts a park plan; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed 1% of the District's 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 1% but not 3% of the value of the taxable property in the District at the time of issuance of the bonds, or an amount greater than the estimated cost of the park plan, whichever amount is smaller; (iv) the District obtains any necessary governmental consents allowing the issuance of such bonds; and (v) the bonds are approved by the Attorney General of Texas. The District may issue bonds for such purposes payable solely from net operating revenues without an election. The Board has not considered calling such an election at this time.

The issuance of additional debt for any of the above described purposes and levy of taxes to pay debt service on such debt may dilute the security for the Bonds.

Additional Covenants

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

Tax Covenants

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

Amendments to the Bond Order

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

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

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 Order 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.

Remedies in Event of Default

The Bond Order provides that, in addition to all other rights and remedies of any Registered Owners provided by the laws of the State of Texas, in the event the District defaults in the observance or performance of any covenant in the Bond Order including payment when due of the principal of and interest on the Bonds, any Registered Owner may apply for a writ of mandamus from a court of competent jurisdiction requiring the Board of Directors or other officers of the District to observe or perform such covenants.

The Bond Order provides no additional remedies to a Registered Owner. Specifically, the Bond Order does not provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners or for the acceleration of maturity of the Bonds upon the occurrence of a default in the District's obligations. Consequently, the remedy of mandamus is a remedy which may have to be enforced from year-to-year by the Registered Owners and may prove time consuming, costly and difficult to enforce.

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. The Bonds are not secured by an interest in any improvements or any other property of the District. Under Texas law, no judgment obtained against the District may be enforced by execution of a levy against the District's public purpose property. The Registered Owners themselves cannot foreclose on property within the District or sell property within the District in order to pay principal of or interest on the Bonds. In addition, the enforceability of the rights and remedies of the Registered Owners may be delayed, reduced or otherwise affected or limited by federal bankruptcy laws or other similar laws affecting the rights of creditors of a political subdivision or by a state statute reasonably required to attain an important public purpose. See "INVESTMENT CONSIDERATIONS—Registered Owners' Remedies and Bankruptcy Limitations."

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York, ("DTC") while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor believe the source of such information to be reliable, but neither of the District nor the Financial Advisor takes any responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

General

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

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

USE AND DISTRIBUTION OF BOND PROCEEDS

Proceeds of the Bonds will be used for: (1) improvements to the Harris County MUD No. 221 Wastewater Treatment Plant; (2) construction of an emergency generator at Water Plant No. 1; (3); construction of surface water lines for Water Plant Nos. 1 and 2; (4) construction of surface water conversions for Water Plant Nos. 1 and 2; (5) engineering costs; and (6) to pay costs of issuance of the Bonds.

The construction costs below were compiled by Burke Engineering, LLC, (the "Engineer"), and were submitted to the Commission 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 completion of agreed-upon procedures 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 Commission, where required.

CONSTRUCTION COSTS		
Harris County MUD No. 221: Wastewater Treatment Plant Improvements, Phase 2A	$	296,370
Harris County MUD No. 221: Wastewater Treatment Plant Improvements, Phase 3		450,660
Emergency Generator at Water Plant No. 1		850,000
Surface Water Lines for Water Plant Nos. 1 & 2		5,200,000
Surface Water Conversions for Water Plant Nos. 1 & 2		1,650,000
Contingencies		1,689,406
Engineering		1,520,466
Total Construction Costs	**$**	**11,656,902**
NON-CONSTRUCTION COSTS		
Legal Fees	$	254,000
Financial Advisory Fees		254,000
Bond Discount (Estimated at 3%)		381,000
Bond Issuance Expenses		62,848
Bond Application Report		50,000
TCEQ Fee (0.25%)		31,750
Attorney General Fee		9,500
Total Non-Construction Costs	**$**	**1,043,098**
TOTAL BOND ISSUE	**$**	**12,700,000**

THE DISTRICT

General

The District is a municipal utility district created by an order of the Texas Water Rights Commission, a predecessor agency to the Commission, dated March 7, 1978, under Article XVI, Section 59 of the Texas Constitution, and operates as a municipal utility district pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to water districts. The District is subject to the continuing supervisory jurisdiction of the Commission. The District contains approximately 813 acres and is located approximately 17 miles north of the central business district of the City of Houston. The District is located east of Interstate Highway 45 North and south of FM 1960. The District is located within the extraterritorial jurisdiction of the City of Houston, and most of the District is located within the boundaries of Spring Independent School District, although approximately 173 acres is located within the boundaries of Aldine Independent School District.

The District is empowered, among other things, to construct all works and improvements necessary for the prevention of floods, for the drainage of land, and to supply water for municipal uses, domestic uses, power and commercial purposes, and all other beneficial uses or controls. The District additionally has authority to provide improvements, facilities, plants, equipment, and appliances incident to or helpful or necessary to the collection, transportation, processing, disposal, and control of domestic, industrial, or communal wastes. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. Construction and operation of the District's system is subject to the regulatory jurisdiction of additional State of Texas and local agencies. See "THE SYSTEM."

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

Residential Development

Water, sanitary sewer and drainage facilities have been constructed to serve North View Section 1, North View West Sections 1 and 2, Willow West Sections 2, 3 and 4, portions of Northview Place Sections 3, 4, 5 and 6, Northview Park Section 4, Imperial Ridge Section 1, a portion of Imperial Trace Section 1, Imperial Trace Sections 2, 3, 4, 5 and 6, Imperial Garden Sections 1, 2, 3 and 4, and Imperial Heights Section 1, collectively encompassing approximately 577 acres developed into 2,716 single-family residential lots. As of May 28, 2026, the District contained 2,693 occupied single-family homes and 14 vacant single-family homes. Imperial Heights Section 1 consists of 235 homes, 71 of which are rental homes. For tax year 2025, the average home value for tax year 2025 was approximately $226,000.

Multi-family Development

Approximately 23 acres have been developed as apartment units. The La Escencia Apartments are a 298 unit apartment complex located on an approximately 8 acre site within the District. The Park at North Vista Townhouses consists of 252 apartment units located on an approximately 15 acre site within the District.

Commercial Development

Approximately 52 acres in the District have been developed for commercial purposes and currently have above-ground improvements. Commercial development in the District includes four motels, the Honda of Spring car dealership, a small commercial shopping center, the offices of Volume International, a day care facility, and approximately 37,500 square feet of office warehouse.

Schools

The Spring Independent School District has constructed Andy Dekaney High School on an approximately 81-acre site in the District and Booker Elementary School on an approximately 18-acre site. Aldine Independent School District has constructed Lewis Middle School on an approximately 38-acre site. All three schools are exempt from taxation.

Undeveloped Acreage

The District has approximately 24 acres contained in easements, rights-of-way, recreation and open space land, and plant sites. All developable acreage has been served with underground utilities.

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board of Directors consisting of five (5) directors (the "Directors"), which has control over and management supervision of all affairs of the District. Directors are elected to four-year staggered terms and elections are held on the first Saturday of May in even numbered years only. All of the Directors reside within the District. The Directors and Officers of the District, together with their titles and terms, are listed below:

Name	Title	Term Expires
John N. Lavallais	President	May 2030
Judy Madison	Vice President	May 2028
Wanda Joshlin	Secretary	May 2028
David Ortiz	Assistant Secretary	May 2028
Jose Reyna	Assistant Secretary	May 2030

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

Bond Counsel and General Counsel

The District has engaged Norton Rose Fulbright US LLP as Bond Counsel in connection with the issuance of District bonds. The fees of Bond Counsel are contingent upon the sale and delivery of the Bonds. In addition, Norton Rose Fulbright US LLP serves as general counsel to the District on matters other than the issuance of bonds.

Financial Advisor

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

Tax Appraisal

The Harris Central Appraisal District (the "Appraisal District") has the responsibility of appraising taxable property within the District See "TAXING PROCEDURES."

Tax Assessor/Collector

The District has appointed Bob Leared Interests to perform the assessment and tax collection function.

Engineer

The District's consulting engineer is Burke Engineering, LLC (the "Engineer").

Operator

The District's utility system operator is Municipal Operations & Consulting, Inc. (the "Operator").

Bookkeeper

The District contracts with ETI Accounting Services (the "Bookkeeper") for bookkeeping services.

Auditor

The financial statements of the District as of and for the fiscal year ended August 31, 2025, included in this Official Statement, have been audited by McCall Gibson Swedlund Barfoot Ellis, PLLC, as stated in their report appearing herein. See "APPENDIX A."

Disclosure Counsel

The District has engaged McCall, Parkhurst & Horton L.L.P., as Disclosure Counsel in connection with the issuance of the Bonds. The fee of Disclosure Counsel is contingent upon the sale and delivery of the Bonds.

THE SYSTEM

Regulation

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

Water Distribution and Sanitary Sewer Collection and Drainage System

The District's System includes water, sanitary sewer and drainage facilities to serve the residential, multifamily and commercial development and the schools described herein under "THE DISTRICT."

The District's water supply is provided by the District's Water Plant No. 1 and Water Plant No. 2. Water Plant No. 1 consists of 555,000 gallons of ground storage tank capacity, 45,000 gallons of hydrotank capacity and one 1,239 gallon per minute ("gpm") water well. Water Plant No. 2 consists of 400,000 gallons of ground storage tank capacity, 30,000 gallons of hydrotank capacity and a 953 gpm water well. According to the Engineer, the District's water plant facilities are sufficient to serve 3,653 single family connections based on the Commission's alternative capacity requirements for systems without an elevated storage tank. The District expects to convert to surface water in 2027 when required by the City of Houston. See "—Subsidence District Requirements" below.

A portion of the Bond proceeds will be used to finance the construction of surface lines and surface water plant conversions for Water Plant Nos. 1 and 2. See "USE AND DISTRIBUTION OF BOND PROCEEDS." After the surface lines and surface water plant conversions are constructed, the District's water plants will be capable of serving 4,002 single family connections.

The District currently provides water service to approximately 3,320 equivalent single family connections. This total does not include approximately 600 lots within the boundaries of Harris County Municipal Utility District No. 221 ("No. 221") that are connected to the District's water system, because the District takes water on an intermittent basis from its interconnect with No. 221 to offset the use by those connections. Therefore, those 600 lots are effectively served by No. 221's water supply facilities, and not those of the District.

In July 2024, as a result from Hurricane Beryl, the District discovered a problem with the water well at Water Plant No. 2 that resulted in lower capacity and excessive vibration. After investigation, the District entered into a contract with a well services company to replace the existing pump and column assembly. The work was completed in December 2024, and capacity was restored to approximately 1,000 gpm. See "INVESTMENT CONSIDERATIONS—Extreme Weather Events."

The District has emergency water supply interconnects with No. 221 and North Park Public Utility District.

Subsidence District Requirements

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

The District is included in the Groundwater Reduction Plan ("GRP") prepared by the City of Houston, in order to meet the Subsidence District requirements pursuant to a contract entered into between the District and the City. As a participant in the City's GRP, the District has complied with all Subsidence District requirements in regard to the conversion to surface water, but is obligated to pay to the City a groundwater withdrawal fee for all groundwater produced and used by the District and a water purchase fee for any water actually purchased from the City by the District in the future.

The City of Houston currently anticipates delivering surface water to a delivery point south of the District in 2027. The District will construct surface water lines from the delivery point to each of the District's water plants, and convert the water plants to chloramine disinfection to match that of the surface water. A portion of the proceeds of the Bonds will be used to finance the construction of such surface lines and surface water conversions.

The issuance of additional bonds by the District in an undetermined amount may be necessary at some time in the future in order to develop surface water conversion infrastructure should the City require the District to convert to surface water and connect to the City's water supply system.

Wastewater Treatment

The District's wastewater is treated in a 1,800,000 gallon per day ("gpd") wastewater treatment facility jointly owned by the District and No. 221. The District owns 1,000,000 gpd of the plant's capacity, with No. 221 owning the remaining 800,000 gpd.

The District's capacity in the wastewater treatment facility will adequately serve 3,333 equivalent single-family connections. As of May 2026, the District was providing service to approximately 3,320 equivalent single-family connections. A portion of the Bond proceeds will be used to finance improvements to the wastewater treatment facility. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

100-Year Flood Plain

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the l00-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. According to the FIRM and the District Engineer, no significant developable land within the District lies within the 100-year flood plain designation. Stormwater sewers and drainage facilities have been constructed to provide required drainage for the District. See "INVESTMENT CONSIDERATIONS—Extreme Weather Events."

FEMA is currently in the process of updating the FIRM and has released a draft of the updated maps, which is expected to be adopted in the coming years. According to the draft FIRM, no development in the District is within the 1% (100-year) flood plain. The draft map shows several streets, the Volume International commercial tract and approximately 20 homes to be at least partially located within the 0.2% (500-year) flood plain. However, the new map has not been adopted and is subject to change. Therefore, detail is not yet available and the new maps are not yet in use by regulatory agencies.

WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT

General

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. The Bonds are not payable from net revenues from the District's water and sewer system. The District does not anticipate that net revenues will ever be used to contribute to the payment of debt service on the Bonds. In the event tax revenues are insufficient to meet District expenditures, the District may raise additional revenues by increasing its water and sewer rates or by levying a maintenance tax. See "TAX DATA—Maintenance Tax."

The following statement sets forth in condensed form the historical results of operation of the District's water and sewer system. Accounting principles customarily employed in the determination of net revenues for coverage of debt service have been observed and in all instances exclude depreciation. This summary has been prepared for inclusion herein based upon information obtained from the District's audited financial statements for the periods ending August 31, 2022 through 2025 and an unaudited summary from the District's bookkeeper for the period ending April 30, 2026. Reference is made to "APPENDIX A—District's Annual Financial Report" for further and complete information.

		Fiscal Year Ended August 31			
	9/1/2025 to 4/30/2026 (a)	2025	2024	2023	2022
Revenues					
Property Taxes	$ 2,670,673	$ 2,578,820	$ 2,093,702	$ 1,867,171	$ 1,589,230
Water Service	456,183	697,220	797,569	703,556	682,731
Wastewater Service	687,025	1,004,662	1,056,638	904,524	781,891
Security Service	237,889	372,883	355,870	361,734	321,457
Groundwater Reduction Assessment	651,619	951,045	922,873	603,559	379,990
Penalty and Interest	51,237	71,282	58,671	41,859	42,203
Tap Connection and Inspection Fees	10,340	15,328	8,955	47,540	229,920
Sales Tax Revenues	-	66,803	-	-	-
Investment and Miscellaneous Revenues	203,053	274,816	284,265	209,464	44,940
Total Revenues	$ 4,968,019	$ 6,032,859	$ 5,578,543	$ 4,739,407	$ 4,072,362
Expenditures					
Professional Fees	$ 117,356	$ 134,537	$ 139,415	$ 126,041	$ 143,199
Contracted Services	805,981	1,414,338	1,336,712	1,175,677	1,014,627
Purchased Wastewater Service	563,831	1,055,103	678,524	1,024,374	688,159
Utilities	64,294	142,007	133,600	175,584	133,078
Repairs & Maintenance	685,913	677,167	728,040	658,790	828,452
Groundwater Reduction Fee	668,494	839,851	1,234,903	317,064	450,555
Other	295,525	253,104	183,235	213,165	296,323
Capital Outlay	563,576	322,180	674,511	250,405	398,145
Debt Service (Bond Issuance Costs)	-	-	40,005	-	-
Total Expenditures	$ 3,764,970	$ 4,838,287	$ 5,148,945	$ 3,941,100	$ 3,952,538
Revenues Over (Under) Expenditures	$ 1,203,049	$ 1,194,572	$ 429,598	$ 798,307	$ 119,824
Other Uses (Interfund Transfer)	$ -	$ 253,235	$ -	$ -	$ -
Fund Balance (Beginning of Year)	$ 6,594,252	$ 5,146,445	$ 4,716,847	$ 3,918,540	$ 3,798,716
Fund Balance (End of Year)	$ 7,797,301	$ 6,594,252	$ 5,146,445	$ 4,716,847	$ 3,918,540

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

UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED

Date of Authorization	Purpose	Authorized	Issued to Date	The Bonds	Unissued
8/12/1978	Water, Sanitary Sewer & Drainage	$ 5,000,000	$ 5,000,000	$ -	$ -
8/7/1979	Water, Sanitary Sewer & Drainage	8,000,000	8,000,000	-	-
2/2/2002	Water, Sanitary Sewer & Drainage	25,000,000	20,775,000	4,225,000	-
11/5/2024	Water, Sanitary Sewer & Drainage	54,700,000	-	8,475,000	46,225,000

FINANCIAL STATEMENT

2025 Certified Taxable Assessed Valuation....................$723,262,207 (a)

Gross Direct Debt Outstanding .... $23,895,000 (b)
Estimated Overlapping Debt .... 59,240,095 (c)
Gross Direct Debt and Estimated Overlapping Debt.................... $83,135,095

Ratio of Gross Direct Debt to:
2025 Certified Taxable Assessed Valuation....................3.30%

Ratio of Gross Direct Debt and Estimated Overlapping Debt to:
2025 Certified Taxable Assessed Valuation....................11.49%

Capital Project Fund Balance as of April 30, 2026 ....$2,727,062
Debt Service Fund Balance as of April 30, 2026 ....$1,150,273 (d)
Operating Fund Available as of April 30, 2026 ....$7,720,565

Area of District—813 acres
Estimated 2026 Population – 10,522 (e)

(a) As certified by the Appraisal District.
(b) Includes the Bonds.
(c) See "ESTIMATED OVERLAPPING DEBT STATEMENT."
(d) Neither the Bond Order nor Texas law requires the District to maintain any particular balance in such fund.
(e) Estimate based upon 3.5 persons per occupied home and 2 persons per apartment unit.

Outstanding Bonds

Series	Original Principal Amount	Principal Amount Currently Outstanding
2016	$ 5,380,000	$ 1,875,000
2019	4,165,000	3,955,000
2024	5,365,000	5,365,000
Total	$ 14,910,000	$ 11,195,000

Investments of the District

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

ESTIMATED OVERLAPPING DEBT STATEMENT

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

Estimated Overlapping Debt

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping Percent	Overlapping Amount
Harris County…………………………………………	$ 2,473,177,553	4/30/2026	0.11%	$ 2,599,094
Harris County Flood Control District………………	937,165,000	4/30/2026	0.11%	1,005,786
Harris County Hospital District………………...….	861,580,000	4/30/2026	0.11%	924,529
Harris County Department of Education…………..	28,960,000	4/30/2026	0.11%	30,422
Lone Star College System…………………………..	342,055,000	4/30/2026	0.21%	717,169
Port of Houston Authority………………………….	386,074,397	4/30/2026	0.11%	414,425
Spring Independent School District (a)……………	1,300,200,000	4/30/2026	3.84%	49,877,549
Aldine Independent School District (a)……………	1,147,225,000	4/30/2026	0.32%	3,671,120
Total Estimated Overlapping Debt…………………				$ 59,240,095
The District…………………………………………	23,895,000 (b)	Current	100.00%	23,895,000
Total Direct and Estimated Overlapping Debt…….				$ 83,135,095
Ratio of Estimated Direct and Overlapping Debt to 2025 Certified Taxable Assessed Valuation…......................................				11.49%

(a) Approximately 640 acres of the 813 acres in the District are located in Spring ISD and 173 acres are located in Aldine ISD. The overlapping percentage has been adjusted to reflect this.

(b) Includes 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 ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District tax lien is on a parity with tax liens of other taxing authorities. 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 tax rates levied on property within the 2025 tax year by all entities overlapping the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy or charges imposed by entities other than political subdivisions.

Spring ISD Portion	2025 Tax Rate per $100 of Taxable Assessed Valuation	
Harris County (a)	$	0.62893
Spring Independent School District		1.13690
Lone Star College System District		0.10600
Harris County ESD No. 1 / 11 (b)		0.08515
Harris County ESD No. 24 / 28 (c)		0.10000
Total Overlapping Tax Rate	$	2.05697
The District		0.54000
Total Tax Rate	$	2.59697

Aldine ISD Portion	2025 Tax Rate per $100 of Taxable Assessed Valuation	
Harris County (a)	$	0.62893
Aldine Independent School District		1.03400
Lone Star College System District		0.10600
Harris County ESD No. 1 / 11 (b)		0.08515
Harris County ESD No. 24 / 28 (c)		0.10000
Total Overlapping Tax Rate	$	1.95408
The District		0.54000
Total Tax Rate	$	2.49408

(a) Includes Harris County, Harris County Hospital District, Harris County Flood Control District, Harris County Department of Education and the Port of Houston Authority.

(b) Portions of the District are located in HCESD No. 1 and the remaining portions are located in HCESD No. 11. The tax rate of HCESD No. 1 ($0.085145) is higher than the tax rate of HCESD No. 11 ($0.038078), and the higher rate is included above.

(c) Portions of the District are located in HCESD No. 24 and the remaining portions are located in HCESD No. 28. The tax rate of HCESD No. 28 ($0.10000) is higher than the tax rate of HCESD No. 24 ($0.09824), and the higher rate is included above.

TAX DATA

Tax Rate Limitations

Debt Service:	Unlimited (no legal limit as to rate or amount)
Maintenance:	$1.00 per $100 Taxable Assessed Valuation

Debt Service Tax

The Board will covenant in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, an ad valorem tax, without limit as to rate or amount, upon all taxable property in the District, to pay the principal of and interest on the Bonds. See "THE BONDS—Authority for Issuance."

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. On August 12, 1978, voters in the District authorized the Board to levy such a maintenance tax in an amount not to exceed $1.00 per $100 taxable assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the District's outstanding tax bonds, the Bonds and any additional tax bonds which may be issued in the future. The District levied a maintenance tax for 2025 in the amount of $0.38 per $100 taxable assessed valuation.

Tax Exemptions

As discussed in the section titled "TAXING PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. The District has not exempted any percentage of the market value of any residential homesteads from taxation since its inception, but the District has granted an exemption of $10,000 on residential households for taxpayers who are disabled or are 65 years of age and older.

Historical Tax Rate Distribution

	2025	2024	2023	2022	2021
Debt Service	$ 0.1600	$ 0.1800	$ 0.2400	$ 0.2500	$ 0.2700
Maintenance and Operations	0.3800	0.3700	0.3100	0.3239	0.3200
Total	$ 0.5400	$ 0.5500	$ 0.5500	$ 0.5739	$ 0.5900

Historical Tax Collections

The following statement of tax collections set forth in condensed form the historical tax collection experience of the District. This summary has been prepared for inclusion herein, based upon information obtained from the Tax Assessor/Collector. Reference is made to such records for further and more complete information.

Tax Year	Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of April 30, 2026 (a) Amount	Percent
2021	$ 496,303,787	$ 0.590	$ 2,928,193	$ 2,921,962	99.79%
2022	579,467,457	0.574	3,325,564	3,315,936	99.71%
2023	675,779,329	0.550	3,716,787	3,703,969	99.66%
2024	702,652,418	0.550	3,864,589	3,835,299	99.24%
2025	723,262,207	0.540	3,904,913	3,787,756	97.00%

(a) Taxes are due upon receipt of bill therefor and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. No split payments are allowed and no discounts are allowed.

Tax Roll Information

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate (see "TAXING PROCEDURES—Valuation of Property for Taxation"). The following represents the composition of certified property comprising the 2021 through 2025 Certified Taxable Assessed Valuations. Differences in values from other information herein are due to differences in dates of information provided.

	2025 Certified Taxable Assessed Valuation	2024 Certified Taxable Assessed Valuation	2023 Certified Taxable Assessed Valuation	2022 Certified Taxable Assessed Valuation	2021 Certified Taxable Assessed Valuation
Land	$ 153,904,550	$ 153,178,003	$ 152,042,031	$ 99,326,135	$ 94,279,565
Improvements	646,317,563	646,428,195	665,591,820	612,526,165	492,805,842
Personal Property	35,913,037	31,744,866	31,637,147	28,330,026	22,814,544
Exemptions	(112,872,943)	(128,698,646)	(173,491,669)	(160,714,869)	(113,596,164)
Total	$ 723,262,207	$ 702,652,418	$ 675,779,329	$ 579,467,457	$ 496,303,787

Principal Taxpayers

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

Taxpayer	Type of Property	2025 Certified Taxable Assessed Valuation	% of 2025 Certified Taxable Assessed Valuation
CGillman Properties II LLC	Land & Improvements	$ 18,183,760	2.51%
Delaware Esencia Borrower (a)	Land & Improvements	15,863,957	2.19%
West Pacific Properties	Land & Improvements	14,694,104	2.03%
North Vista Apartments LTD (a)	Land & Improvements	13,926,696	1.93%
Camillo ML 2022 DD SFR LLC (b)	Land & Improvements	12,335,762	1.71%
Houston Pipe Line Co. LP	Land & Personal Property	10,673,330	1.48%
Team Gillman Honda North	Personal Property	9,927,794	1.37%
2018 4 IH Borrower LP (b)	Land & Improvements	9,537,270	1.32%
SRP Sub LLC (b)	Land & Improvements	7,901,086	1.09%
American Homes 4 Rent (b)	Land & Improvements	6,875,378	0.95%
Total		$ 119,919,137	16.58%

(a) Owners of apartment complexes within the District.
(b) Owners of multiple rental homes within the District.

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per $100 assessed valuation which would be required to meet average annual and maximum debt service requirements if no growth in the District's tax base occurred beyond the 2025 Certified Taxable Assessed Valuation of $723,262,207. The calculations contained in the following table merely represent the tax rates required to pay principal and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "INVESTMENT CONSIDERATIONS—Factors Affecting Taxable Values and Tax Payments."

Projected Average Annual Debt Service Requirement (2027-2051)........ $1,563,186
$0.23 Tax Rate on 2025 Certified Taxable Assessed Valuation at 95% collections........ $1,580,328

Projected Maximum Annual Debt Service Requirement (2029)........ $1,842,334
$0.27 Tax Rate on 2025 Certified Taxable Assessed Valuation at 95% collections........ $1,855,168

TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

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

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The 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.

Veterans Exemptions: The District must grant certain exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 of assessed valuation depending upon the disability of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% and the surviving spouse of such a veteran is entitled to an exemption for the full amount of the veteran's or surviving spouse's residential homestead. A partially disabled veteran or the surviving spouse of a partially disabled veteran is entitled to an exemption from taxation of a percentage of the appraised value of their residential homestead in an amount equal to the partially disabled veteran's disability rating if the residential homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces or a first responder as defined under Texas law, who was killed in action is, subject to certain conditions, entitled to a total tax exemption on such surviving spouse's residential homestead. If the surviving spouse changes homesteads, but does not remarry, then the amount of the exemption as of the last year of the first qualifying residential homestead is applicable to subsequent homesteads.

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

Additional Homestead Exemptions: The District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair its obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. For the 2026 tax year, the District has granted an exemption of $10,000 of assessed valuation for persons 65 years of age and older and to individuals who are under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act.

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

Valuation of Property for Taxation

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

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

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

Agricultural, Open Space, Timberland, and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based upon the new use for the three (3) years to five (5) years prior to the loss of the designation for agricultural, timberland or open space land. According to the District's Tax Assessor/Collector, as of January 1, 2026, no land within the District was designated for agricultural use, open space, inventory deferment, or timberland.

Tax Abatement

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

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 District may challenge the level of appraisal of a certain category of property, the exclusion of property from the appraisal rolls or the grant, in whole or in part, of an exemption. The District may not, however, protest a valuation of any individual property.

The Property Tax Code sets 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 of Taxes

The District adopts its tax rate each year after it receives a tax roll certified by the Appraisal District. Texas law provides for notice and hearing procedures prior to the adoption of an ad valorem tax rate by the District. Additionally, Texas law provides for an additional notice and, upon petition by qualified voters, an election which could result in the repeal of certain tax rate increases.

Rollback of Operation and Maintenance Tax Rate

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

Special Taxing Units

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

Developed Districts

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

Developing Districts

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

The District

A determination as to a district’s status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. The District 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.

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 of the amount of the tax for the first calendar month it is delinquent, plus one percent 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 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 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) 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.

District’s Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both subject to the restrictions on residential homesteads described in the preceding section under “Levy and Collection of Taxes”. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser’s deed issued at the foreclosure sale is filed in the county records.

The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See "INVESTMENT CONSIDERATIONS—General" and "—Tax Collection Limitations and Foreclosure Remedies."

Delinquent Tax Payments for Disaster Areas

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

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

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

Tax Payment Installments After Disaster

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

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

Tax Exemption Provided to Lessees of Public Facility Corporations

Chapter 303 of the Texas Local Government Code (the "PFC Act") authorizes cities, counties, school districts, housing authorities and special districts (a "Sponsor") to create a sponsored Public Facility Corporation ("PFC") to acquire, construct, rehabilitate, renovate, repair, equip, furnish and place in service public facilities. These activities may be financed through certain obligations of either the Sponsor or the PFC. Under the PFC Act, a "public facility" includes any real, personal, or mixed property, or an interest in property devoted or to be devoted to public use, and authorized to be financed under the PFC Act. A public facility, including a leasehold estate in a public facility, that is owned by a PFC is exempt from taxation by the State or a municipality or other political subdivision of the State, including the District. This exemption applies to both ad valorem and sales taxes levied by such taxing authorities. Subject to certain restrictions, a leasehold or other possessory interest granted by the PFC to the user of a PFC-owned multifamily residential development entitles that user to this same exemption. The 88th Texas Legislature passed H.B. 2071, which became effective June 18, 2023, to amend the PFC Act. H.B. 2071 significantly revised the PFC Act's requirements for the lessee of a multi-family residential development to qualify for this exemption and provides that the exemption for such projects does not apply to taxes imposed by a conservation and reclamation district providing water, sewer, or drainage services to the development, unless an agreement is entered into with the district concerning payments in lieu of taxation. Projects for which PFC or Sponsor approval was received prior to the effective date of H.B. 2071 are governed by the prior law and are not subject to the same requirements. The District is not aware of any public facilities located within the boundaries of the District that are either owned or leased by a PFC. The District makes no representations or predictions regarding whether future public facilities will be created or established within the District's boundaries by the Houston Housing Authority or by any other Sponsor (as defined herein) pursuant to the PFC Act.

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the Outstanding Bonds and the estimated debt service on the Bonds at an estimated interest rate of 5.00%.

Year	Outstanding Bonds Debt Service Requirements		Debt Service on the Bonds Principal	Debt Service on the Bonds Interest	Debt Service on the Bonds Total	Total Debt Service Requirements
2026	$ 187,403	(a)		$ 158,750	$ 158,750	$ 346,153
2027	1,192,725			635,000	635,000	1,827,725
2028	1,193,072			635,000	635,000	1,828,072
2029	1,207,334			635,000	635,000	1,842,334
2030	711,206		$ 215,000	629,625	844,625	1,555,831
2031	715,063		215,000	618,875	833,875	1,548,938
2032	724,353		215,000	608,125	823,125	1,547,478
2033	734,650		215,000	597,375	812,375	1,547,025
2034	740,031		215,000	586,625	801,625	1,541,656
2035	749,775		215,000	575,875	790,875	1,540,650
2036	763,466		215,000	565,125	780,125	1,543,591
2037	776,034		215,000	554,375	769,375	1,545,409
2038	782,550		215,000	543,625	758,625	1,541,175
2039	793,000		215,000	532,875	747,875	1,540,875
2040	392,700		645,000	511,375	1,156,375	1,549,075
2041	396,800		675,000	478,375	1,153,375	1,550,175
2042	395,400		710,000	443,750	1,153,750	1,549,150
2043	398,500		745,000	407,375	1,152,375	1,550,875
2044	401,000		785,000	369,125	1,154,125	1,555,125
2045	407,800		820,000	329,000	1,149,000	1,556,800
2046	408,900		865,000	286,875	1,151,875	1,560,775
2047	409,400		905,000	242,625	1,147,625	1,557,025
2048	414,200		950,000	196,250	1,146,250	1,560,450
2049	418,200		1,000,000	147,500	1,147,500	1,565,700
2050	-		1,200,000	92,500	1,292,500	1,292,500
2051	-		1,250,000	31,250	1,281,250	1,281,250
Total	$ 15,313,562		$ 12,700,000	$ 11,412,250	$ 24,112,250	$ 39,425,812

(a) Excludes the District's April 1, 2026 debt service payment in the amount of $1,122,547.

Projected Maximum Annual Debt Service Requirement (2029) $1,842,334
Projected Average Annual Debt Service Requirements (2027-2051) $1,563,186

INVESTMENT CONSIDERATIONS

General

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

Temporary Tax Exemptions for Property Damaged by Disaster

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

Atlas 14

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

Certain Tax Exemptions Provided for Affordable Housing

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

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

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

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

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of single-family residences, commercial property and multi-family developments. The market value of such properties is related to general economic conditions in Houston, the State of Texas and the nation and those conditions can affect the demand for such properties. Demand for properties of this type and the construction thereon can be significantly affected by factors such as interest rates, credit availability (see "Credit Market and Liquidity in the Financial Markets" below), construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of such properties is directed.

The Houston-area economy is particularly affected by the energy industry, and the District cannot predict what effect oil and gas prices and their resultant effect on the area economy could have on taxable values in the District.

Approval of the Bonds

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

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on construction activity, particularly short-term interest rates at which developers and commercial builders are able to obtain financing for development and building costs. Interest rate levels may affect the ability of a landowner to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 17 miles from the central downtown business district of the City of Houston, the success of homebuilding and commercial building within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston and decline in the nation's real estate and financial markets could adversely affect homebuilding and commercial building plans in the District and restrain the growth of, or reduce, the District's property tax base.

Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their ad valorem taxes. The 2025 Certified Taxable Assessed Valuation of the District is $723,262,207. See "FINANCIAL STATEMENT." After issuance of the Bonds, the projected maximum annual debt service requirement will be $1,842,334 (2029) and the average annual debt service requirement will be $1,563,186 (2027-2051). Assuming no increase or decrease from the 2025 Certified Taxable Assessed Valuation and no use of funds other than tax collections, a tax rate of $0.27 per $100 assessed valuation at a 95% collection rate would be necessary to pay the projected maximum annual debt service requirement of $1,842,334 and a tax rate of $0.23 per $100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of $1,563,186. See "DEBT SERVICE REQUIREMENTS." Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds and the Outstanding Bonds based upon the 2025 Certified Taxable Assessed Valuation, the District can make no representations regarding the future level of assessed valuation within the District. Increases in the tax rate may be required in the event major taxpayers do not pay their District taxes timely. See "TAXING PROCEDURES" and "TAX DATA—Tax Adequacy for Debt Service."

Extreme Weather Events

The District sustained high levels of wind and rainfall as a result of Hurricane Beryl's landfall along the Texas gulf coast on July 8, 2024. According to the District Operator the District discovered a problem with the water well at Water Plant No. 2 that resulted in lower capacity and excessive vibration, as a result of Hurricane Beryl. After investigation, the District entered into a contract with a well services company to replace the existing pump and column assembly. The work was completed in December 2024, and capacity was restored to approximately 1,000 gpm. Also, according to the District Engineer, there were no reports that any homes or improvements within the District experienced flooding or other structural damage as a result of Hurricane Beryl.

The District is subject to occasional severe weather events, including tropical storms and hurricanes. The District has experienced various storms exceeding a 0.2% probability (i.e. "500-year flood" events). 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.

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

Specific Flood Type Risks

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

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

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

Potential Effects of Oil Price Fluctuations on the Houston Area

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

Dependence on Energy Industry

The economy of the Houston metropolitan area, which has sometimes been referred to as the energy capital of the world, is, in part, dependent upon the oil and gas and petrochemical industries. During the height of the COVID-19 pandemic in 2020, worldwide consumption of energy decreased dramatically and led to the lowest oil prices in three decades. This led to layoffs of workers, business failures and reduced capital and operating expenditures by energy companies. While there has been some rebound, Houston area jobs in the energy industry have not fully recovered. In 2021, the United States rejoined the 2015 Paris Climate Accords, under which many countries have agreed to move away from fossil fuels to alleviate climate change. Although major energy companies expect that fossil fuels will be vital to the global economy for many years to come, they have recognized the need to direct more investment toward various clean energy projects. The pace and success of these efforts could significantly affect the Houston economy in the future.

Tax Collections Limitations and Foreclosure Remedies

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property, (d) adverse effects on marketability from a taxpayer's limited right to redeem its foreclosed property, (e) sale or transfer of personal property to bona fide purchasers, or (f) insufficient foreclosure proceeds to satisfy the tax liens of all state and local taxing authorities with parity liens on the property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "ESTIMATED OVERLAPPING DEBT STATEMENT—Overlapping Taxes for 2025"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property).

While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the net proceeds to the District from a tax foreclosure sale. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

Future Debt

Following issuance of the Bonds, the District will have $46,225,000 principal amount of authorized but unissued unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities. Although the District may authorize additional bonds at a future election or elections, the District has no plans to call any such election in the foreseeable future. The District may also issue refunding bonds. See "THE BONDS—Issuance of Additional Debt" and "THE SYSTEM." The issuance of such future obligations may adversely affect the investment security of the Bonds. The District does not employ any formula with regard to taxable assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board of the District and any bonds issued to acquire or construct water, sanitary sewer and drainage facilities must be approved by the Commission.

Registered Owners' Remedies and Bankruptcy Limitations

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

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Specifically, the District may voluntarily file a petition for protection from creditors under the federal bankruptcy laws. During the pendency of the bankruptcy proceedings, the remedy of mandamus would not be available to the Registered Owners unless authorized by a federal bankruptcy judge.

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

Continuing Compliance with Certain Covenants

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

Environmental and Air Quality 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 Service Area. 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 "moderate" 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 Polyflouroalkyl Substances ("PFAS"), which requires public water systems to perform certain monitoring and remediation measures. Public water systems may be subject to additional PFAS regulation in the future, which could increase the cost of constructing, operating, and maintaining water production and distribution facilities.

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

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

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

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

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

Changes in Tax Legislation

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

Marketability

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

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 to guarantee the scheduled payment of principal and interest on the Bonds. If a bond insurance policy is issued, then investors should be aware of the following risk factors:

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable bond insurance policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by an issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the policy insurer (the "Bond Insurer") at such time and in such amounts as would have been due absent such prepayment by the District unless the Bond Insurer chooses to pay such amounts at an earlier date.

Default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to any applicable bond documents.

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

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its claim paying ability. The Bond 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 Bond Insurer and of the ratings on the Bonds insured by the Bond 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" herein.

The obligations of the Bond Insurer are contractual obligations and in an event of default by the Bond 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 Underwriters have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Issuer to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE" herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

Increase In Costs of Building Materials and Labor Shortages

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

MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE

Moody's Investors Service ("Moody's") has assigned an underlying rating of "A2" 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 Initial Purchaser.

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

There is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn entirely by 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 Opinions

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

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

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

Tax Exemption

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

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

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

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

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

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

Tax Accounting Treatment of Discount and Premium on Certain Bonds

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

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

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

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

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

Not Qualified Tax-Exempt Obligations for Financial Institutions

The Bonds will NOT be designated as “qualified tax-exempt obligations” for financial institutions.

No Material Adverse Change

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

No-Litigation Certificate

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was rendered by _________________(the "Initial Purchaser") bearing the interest rates shown on the cover page of this Official Statement, at a price of ___________________% of the principal amount thereof which resulted in a net effective interest rate of ____________% as calculated pursuant to Chapter 1204, Texas Government Code (the "IBA" method).

The delivery of the Bonds is conditional upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser before the Date of Delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity have been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker, or similar person acting in the capacity of Initial Purchaser or wholesaler. Otherwise, the District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser.

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

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

The financial data and other information contained in this Official Statement has been obtained primarily from the District's records, the Engineer, the Tax Assessor/Collector, the Appraisal District and information from other sources believed to be reliable. No guarantee is made by the District as to the accuracy or completeness of the information derived from sources other than the District, and the inclusion herein of information from sources other than the District is not to be construed as a representation on the part of the District to such effect, except as described 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 provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the District and, if applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Consultants

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

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

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

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

Auditor: The financial statements of the District as of and for the fiscal year ended August 31, 2025, 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."

Bookkeeper: The information contained in the Official Statement related to unaudited waterworks and sewer system operating statement of the District has been provided by ETI Accounting Services and is included herein in reliance upon the authority of such firm as an expert in the field of accounting.

Updating of Official Statement

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

Certification of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide annually to the MSRB certain updated financial information and operating data. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "SELECTED FINANCIAL INFORMATION (Unaudited)," "TAX DATA," "THE SYSTEM," "WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT" and "DEBT SERVICE REQUIREMENTS" (most of which information is contained in the District's audited financial statements in APPENDIX A. The District will update and provide this information within six (6) months after the end of each fiscal year ending in or after 2026. The District will provide the updated information to EMMA.

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

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

Event Notices

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

(1) Principal and interest payment delinquencies;
(2) Non-payment related defaults, if material;
(3) Unscheduled draws on debt service reserves reflecting financial difficulties;
(4) Unscheduled draws on credit enhancements reflecting financial difficulties;
(5) Substitution of credit or liquidity providers, or their failure to perform;
(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax status of the Bonds;
(7) Modifications to rights of holders of the Bonds, if material;
(8) Bond calls, if material, and tender offers;
(9) Defeasances;
(10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
(11) Rating changes;

(12) Bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below;

(13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

(15) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the obligated person, any of which reflect financial difficulties.

The terms "obligated person" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under the Rule. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provisions for debt service reserves or liquidity enhancement, the pledge of property (other than ad valorem tax revenues) to secure payment of the Bonds, or appointment of a trustee. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

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

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

Availability of Information from the MSRB

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

Limitations and Amendments

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

The District undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to the Bond Order and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the District's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with the Bond Order or otherwise, except as expressly provided therein. The District does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

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

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

Nothing in the Bond Order is intended or shall act to disclaim, waive, or otherwise limit the duties of the District under federal and state securities laws. The provisions of the Bond Order may be amended by the District from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations or businesses of the District, but only if (1) the provisions of the Bond Order, as so amended, would have permitted an underwriter to purchase or sell Bonds in a primary offering of the Bonds in compliance with the Rule, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the Outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the holders and Registered Owners of the Bonds. If the District so amends the provisions of the Bond Order, the District shall include with any amended financial information or operating data next provided in an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided. The District may also repeal or amend the provisions of the Bond Order if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the District also may amend the provisions of the Bond Order in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in a primary offering of the Bonds.

Compliance With Prior Undertakings

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

MISCELLANEOUS

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

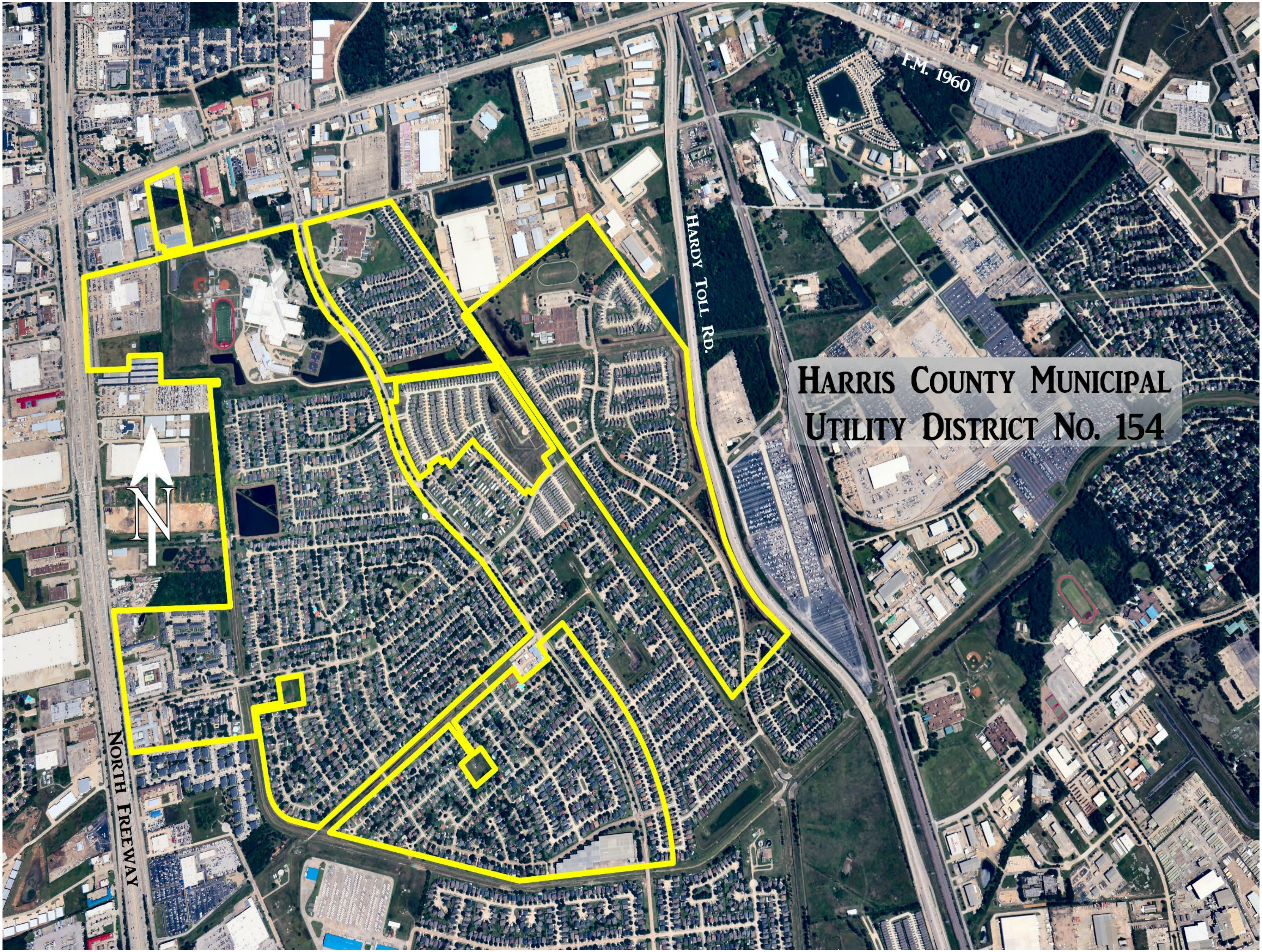
This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 154, as of the date shown on the cover page.

/s/________________________
President, Board of Directors

ATTEST:

/s/________________________
Secretary, Board of Directors

AERIAL PHOTOGRAPH
(As of May 2026)


F.M. 1960
Hardy Toll Rd.
Harris County Municipal Utility District No. 154
N
North Freeway

PHOTOGRAPHS OF THE DISTRICT
(As of May 2026)


Home


PARK
AT NORTH VISTA
311


HONDA


Crystal Inn
NOW OPEN

APPENDIX A

District Audited Financial Statements for the fiscal year ended August 31, 2025

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 154

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

AUGUST 31, 2025

McCALL GIBSON SWEDLUND BARFOOT ELLIS PLLC
Certified Public Accountants

TABLE OF CONTENTS

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. 154
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. 154 (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.

Houston | Austin | Dallas
13100 Wortham Center Drive, Suite 235, Houston, Texas 77065-5610 713-462-0341

Board of Directors
Harris County Municipal Utility District No. 154

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. 154

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

November 20, 2025

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 154
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2025

Management's discussion and analysis of the financial performance of Harris County Municipal Utility District No. 154 (the "District") 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 Funds 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 the District's assets, liabilities, and deferred 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 three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

FUND FINANCIAL STATEMENTS (Continued)

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

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explains 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 basic 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 and deferred outflows of resources exceeded liabilities by $13,923,115 as of August 31, 2025. A portion of the District's net position reflects its net investment in capital assets which include land as well as the water, wastewater and drainage systems less any debt used to acquire those assets that is still outstanding.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

A comparative analysis of government-wide changes in net position is presented below.

	Summary of Changes in the Statement of Net Position		
	2025	2024	Change Positive (Negative)
Current and Other Assets	$ 11,918,331	$ 8,793,645	$ 3,124,686
Capital Assets (Net of Accumulated Depreciation)	15,202,604	15,554,214	(351,610)
Total Assets	$ 27,120,935	$ 24,347,859	$ 2,773,076
Deferred Outflows of Resources	$ 28,506	$ 38,149	$ (9,643)
Bonds Payable	$ 12,078,773	$ 7,998,245	$ (4,080,528)
Other Liabilities	1,147,553	3,520,336	2,372,783
Total Liabilities	$ 13,226,326	$ 11,518,581	$ (1,707,745)
Net Position:			
Net Investment in Capital Assets	$ 5,807,890	$ 5,905,703	$ (97,813)
Restricted	1,464,454	1,769,504	(305,050)
Unrestricted	6,650,771	5,192,220	1,458,551
Total Net Position	$ 13,923,115	$ 12,867,427	$ 1,055,688

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

	Summary of Changes in the Statement of Activities		
	2025	2024	Change Positive (Negative)
Revenues:			
Property Taxes	$ 3,846,159	$ 3,738,929	$ 107,230
Charges for Services	3,147,921	3,243,950	(96,029)
Other Revenues	591,584	450,522	141,062
Total Revenues	$ 7,585,664	$ 7,433,401	$ 152,263
Expenses for Services	6,529,976	5,501,715	(1,028,261)
Change in Net Position	$ 1,055,688	$ 1,931,686	$ (875,998)
Net Position, Beginning of Year	12,867,427	10,935,741	1,931,686
Net Position, End of Year	$ 13,923,115	$ 12,867,427	$ 1,055,688

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of August 31, 2025, were $11,100,770, an increase of $3,128,490 from the prior year.

The General Fund fund balance increased by $1,447,807, primarily due to service revenues, property tax revenues and sales tax revenues exceeding operating expenditures and capital costs.

The Debt Service Fund fund balance decreased by $228,630, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance increased by $1,909,313. The District sold its Series 2024 Unlimited Tax Bonds during the current fiscal year, of which a portion remained unspent as of year end.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted a General Fund budget for the current fiscal year. Actual revenues were $849,859 more than budgeted revenues, actual expenditures were $21,813 less than budgeted expenditures, and the Capital Projects Fund made an unbudgeted transfer to the General Fund of $253,235. The net result was a positive variance of $1,124,907. See the budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets as of August 31, 2025, total $15,202,604 (net of accumulated depreciation) and include land and the water, wastewater and drainage systems. Significant current year additions included improvements to the District's utility infrastructure.

Capital Assets At Year-End

	2025	2024	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	$ 1,073,673	$ 1,073,673	$
Construction in Progress	237,048	207,675	29,373
Capital Assets Subject to Depreciation:			
Water System	10,252,150	9,957,700	294,450
Wastewater System	9,347,901	9,298,077	49,824
Drainage System	7,361,807	7,361,807	
Less Accumulated Depreciation	(13,069,975)	(12,344,718)	(725,257)
Total Net Capital Assets	$ 15,202,604	$ 15,554,214	$ (351,610)

LONG-TERM DEBT ACTIVITY

As of August 31, 2025, the District had total bond debt payable of $12,120,000. The changes in the debt position of the District during the fiscal year ended August 31, 2025, are summarized as follows:

Bond Debt Payable, September 1, 2024	$ 7,980,000
Add: Bond Sale	5,365,000
Less: Bond Principal Paid	(1,225,000)
Bond Debt Payable, August 31, 2025	$ 12,120,000

The District carries an underlying rating of "A2" by Moody's. The Series 2016 Bonds, Series 2019 Bonds, and Series 2024 Bonds carry insured ratings of "AA" ratings by virtue of bond insurance issued by Build America Mutual Assurance Company. Credit enhanced ratings provided through bond insurance policies are subject to change based on changes to the ratings of the insurers.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of 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. 154, c/o Norton Rose Fulbright US LLP, 1550 Lamar, Suite 2000, Houston, TX 77010.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 154
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
AUGUST 31, 2025

	General Fund	Debt Service Fund
ASSETS		
Cash	$ 302,722	$ 148,875
Investments	6,455,788	1,433,158
Receivables:		
Property Taxes	51,451	34,591
Penalty and Interest on Delinquent Taxes		
Service Accounts	293,306	
Other	8,873	
Due from Other Funds	10,587	13,913
Prepaid Costs	97,268	
Joint Facilities Operating Advance	120,719	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	$ 7,340,714	$ 1,630,537
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	$ - 0 -	$ - 0 -
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 7,340,714	$ 1,630,537

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

Capital Projects Fund	Total	Adjustments	Statement of Net Postion
$	$ 451,597	$	$ 451,597
2,943,506	10,832,452		10,832,452
	86,042		86,042
		23,006	23,006
	293,306		293,306
	8,873		8,873
	24,500	(24,500)	
	97,268	5,068	102,336
	120,719		120,719
		1,073,673	1,073,673
		237,048	237,048
		13,891,883	13,891,883
$ 2,943,506	$ 11,914,757	$ 15,206,178	$ 27,120,935
$ - 0 -	$ - 0 -	$ 28,506	$ 28,506
$ 2,943,506	$ 11,914,757	$ 15,234,684	$ 27,149,441

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 154
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
AUGUST 31, 2025

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	$ 428,908	$ 22,347
Accrued Interest Payable		
Due to Other Funds	13,913	2,120
Due to Developer		
Security Deposits	252,190	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	$ 695,011	$ 24,467
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	$ 51,451	$ 34,591
FUND BALANCES		
Nonspendable:		
Prepaid Costs	$ 97,268	$
Operating Advance	120,719	
Restricted for Authorized Construction		
Restricted for Debt Service		1,571,479
Unassigned	6,376,265	
TOTAL FUND BALANCES	$ 6,594,252	$ 1,571,479
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 7,340,714	$ 1,630,537
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
$	$ 451,255	$	$ 451,255
		164,622	164,622
8,467	24,500	(24,500)	
		279,486	279,486
	252,190		252,190
		925,000	925,000
		11,153,773	11,153,773
$ 8,467	$ 727,945	$ 12,498,381	$ 13,226,326
$ - 0 -	$ 86,042	$ (86,042)	$ - 0 -
$	$ 97,268	$ (97,268)	$
	120,719	(120,719)	
2,935,039	2,935,039	(2,935,039)	
	1,571,479	(1,571,479)	
	6,376,265	(6,376,265)	
$ 2,935,039	$ 11,100,770	$ (11,100,770)	$ - 0 -
$ 2,943,506	$ 11,914,757		
		$ 5,807,890	$ 5,807,890
		1,464,454	1,464,454
		6,650,771	6,650,771
		$ 13,923,115	$ 13,923,115

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 154
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2025

Total Fund Balances - Governmental Funds		$ 11,100,770
Amounts reported for governmental activities in the Statement of Net Position are different because:		
The difference between the net carrying amount of refunded bonds and the reacquisiton price is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.		28,506
Bond insurance paid at closing is amortized over the repayment period of the related bonds in the governmental activities.		5,068
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		15,202,604
Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2024 and prior tax levies became part of recognized revenue in the governmental activities of the District.		109,048
Certain liabilities are not due and payable in the current period and are not reported as liabilities in the governmental funds. These liabilities at year end consist of:		
Accrued Interest Payable	$ (164,622)	
Due to Developer	(279,486)	
Bonds Payable	(12,078,773)	(12,522,881)
Total Net Position - Governmental Activities		$ 13,923,115

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 154
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED AUGUST 31, 2025

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	$ 2,578,820	$ 1,254,430
Water Service	697,220	
Wastewater Service	1,004,662	
Security Service	372,883	
Groundwater Reduction Assessment	951,045	
Penalty and Interest	71,282	31,338
Connection and Inspection Fees	15,328	
Sales Tax Revenues	66,803	
Investment and Miscellaneous Revenues	274,816	97,756
TOTAL REVENUES	$ 6,032,859	$ 1,383,524
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	$ 134,537	$ 11,466
Contracted Services	1,414,338	79,477
Purchased Wastewater Service	1,055,103	
Utilities	142,007	
Groundwater Reduction Fees	839,851	
Repairs and Maintenance	677,167	
Depreciation		
Other	253,104	15,351
Capital Outlay	322,180	
Developer Interest		
Developer Reimbursement		
Debt Service:		
Bond Issuance Costs		
Bond Principal		1,225,000
Bond Interest		280,860
TOTAL EXPENDITURES/EXPENSES	$ 4,838,287	$ 1,612,154
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	$ 1,194,572	$ (228,630)
OTHER FINANCING SOURCES (USES)		
Transfers In (Out)	$ 253,235	$
Bond Premium		
Bond Discount		
Proceeds from Issuance of Long-Term Debt		
TOTAL OTHER FINANCING SOURCES (USES)	$ 253,235	$ -0-
NET CHANGE IN FUND BALANCES	$ 1,447,807	$ (228,630)
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - SEPTEMBER 1, 2024	5,146,445	1,800,109
FUND BALANCES/NET POSITION - AUGUST 31, 2025	$ 6,594,252	$ 1,571,479

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
$	$ 3,833,250	$ 12,909	$ 3,846,159
	697,220		697,220
	1,004,662		1,004,662
	372,883		372,883
	951,045		951,045
	102,620	4,163	106,783
	15,328		15,328
	66,803		66,803
123,809	496,381	28,400	524,781
$ 123,809	$ 7,540,192	$ 45,472	$ 7,585,664
$	$ 146,003	$	$ 146,003
	1,493,815		1,493,815
	1,055,103		1,055,103
	142,007		142,007
	839,851		839,851
	677,167		677,167
		725,257	725,257
44,893	313,348		313,348
51,467	373,647	(373,647)	
364,719	364,719		364,719
2,406,255	2,406,255	(2,406,255)	
409,091	409,091		409,091
	1,225,000	(1,225,000)	
	280,860	82,755	363,615
$ 3,276,425	$ 9,726,866	$ (3,196,890)	$ 6,529,976
$ (3,152,616)	$ (2,186,674)	$ 3,242,362	$ 1,055,688
$ (253,235)	$	$	$
68,395	68,395	(68,395)	
(118,231)	(118,231)	118,231	
5,365,000	5,365,000	(5,365,000)	
$ 5,061,929	$ 5,315,164	$ (5,315,164)	$ -0-
$ 1,909,313	$ 3,128,490	$ (3,128,490)	$
		1,055,688	1,055,688
1,025,726	7,972,280	4,895,147	12,867,427
$ 2,935,039	$ 11,100,770	$ 2,822,345	$ 13,923,115

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 154
RECONCILIATION OF THE GOVERNMENTAL FUNDS 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	$ 3,128,490
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	12,909
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	4,163
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(725,257)
Governmental funds report capital outlay as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	2,808,302
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	1,225,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	(82,755)
Governmental funds report bond proceeds as other financing sources. Bonds payable, net of unamortized bond discounts and unamortized bond premiums, are reported as increases in long-term liabilities in the Statement of Net Position.	(5,315,164)
Change in Net Position - Governmental Activities	$ 1,055,688

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

NOTE 1. CREATION OF DISTRICT

Harris County Municipal Utility District No. 154 of Harris County, Texas (the "District") was created effective March 7, 1978, by an Order of the Texas Water Rights 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, wastewater service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, 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 May 5, 1978, and the first bonds were sold on July 10, 1980.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether 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.

<u>Financial Statement Presentation</u>

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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole and 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 are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

Fund Financial Statements

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 Funds Statement of Revenues, Expenditures and Changes in Fund Balances.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

The District has three governmental funds and consider each to be a major fund. The General Fund accounts for resources not required to be accounted for in another fund, customer service revenues, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

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 revenue reported in governmental funds to be available if they are collectable within 60 days after year-end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include 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. The Capital Projects Fund transferred $253,235 to reimburse the General Fund for capital projects expensed out of the General Fund.

As of August 31, 2025, the General Fund recorded a liability of $13,913 to the Debt Service Fund for an excess transfer of maintenance tax collections, the Debt Service Fund recorded a liability of $2,120 to the General Fund for arbitrage compliance, and the Capital Projects Fund recorded a liability of $8,467 to the General Fund for capital outlay and bond related costs.

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 expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset. Assets are capitalized, including infrastructure assets, if they have an original cost greater than $5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation over periods ranging from 10 to 45 years.

Budgeting

An annual 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 budgeted amounts 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 determined that directors are considered to be "employees" for federal payroll tax purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position. Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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.

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

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the 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 and as of year-end there were no assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

	Refunding Series 2016	Series 2019	Series 2024
Amount Outstanding – August 31, 2025	$ 2,590,000	$ 4,165,000	$ 5,365,000
Interest Rates	2.25% - 3.25%	2.00% - 2.50%	4.00% - 6.50%
Maturity Dates - Serially Beginning/Ending	April 1, 2026/2029	April 1, 2026/2039	April 1, 2030/2049
Interest Payment Dates	October 1/ April 1	October 1/ April 1	October 1/ April 1
Callable Dates	April 1, 2024*	April 1, 2025*	April 1, 2030*

* Or any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption.

At an election held November 2024, District voters authorized additional bond capacity of $54,700,000 for utility facilities. As of August 31, 2025, the District had authorized but unissued new money bonds in the amount of $58,925,000 for utility facilities. The District also has the authority to issue refunding bonds. 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.

Bonds payable activity for the current fiscal year is summarized in the following table:

	September 1, 2024	Additions	Retirements	August 31, 2025
Bonds Payable	$ 7,980,000	$ 5,365,000	$ 1,225,000	$ 12,120,000
Unamortized Discounts	(37,967)	(118,231)	(2,647)	(153,551)
Unamortized Premiums	56,212	68,395	12,283	112,324
Bonds Payable, Net	$ 7,998,245	$ 5,315,164	$ 1,234,636	$ 12,078,773

Amount Due Within One Year	$ 925,000
Amount Due After One Year	11,153,773
Bonds Payable, Net	$ 12,078,773

NOTE 3. LONG-TERM DEBT (Continued)

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

Fiscal Year	Principal	Interest	Total
2026	$ 925,000	$ 395,093	$ 1,320,093
2027	830,000	374,806	1,204,806
2028	855,000	350,643	1,205,643
2029	895,000	325,500	1,220,500
2030	420,000	299,168	719,168
2031-2035	2,440,000	1,262,013	3,702,013
2036-2040	2,695,000	855,032	3,550,032
2041-2045	1,535,000	495,200	2,030,200
2046-2049	1,525,000	156,200	1,681,200
	$ 12,120,000	$ 4,513,655	$ 16,633,655

During the year ended August 31, 2025, the District levied an ad valorem debt service tax rate of $0.18 per $100 of assessed valuation, which resulted in a tax levy of $1,269,371 on the adjusted taxable valuation of $705,205,764 for the 2024 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

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

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The bond orders state that the District is required to provide continuing disclosure of certain general financial information and operating data to certain information repositories. This information is of the general type included in the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

The District 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, determination of the rebatable amount is on each five-year anniversary of the bonds.

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 $451,597 and the bank balance was $815,095. The District was not exposed to custodial credit risk at year-end. The carrying values of the deposits at August 31, 2025, are summarized in the following table:

	Cash
GENERAL FUND	$ 302,722
DEBT SERVICE FUND	148,875
TOTAL DEPOSITS	$ 451,597

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 which is reviewed annually and which may be more restrictive than the Public Funds Investment Act.

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Hermes, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

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

Funds and Investment Type	Fair Value	Maturities of Less Than 1 Year
GENERAL FUND		
TexPool	$ 6,455,788	$ 6,455,788
DEBT SERVICE FUND		
TexPool	1,433,158	1,433,158
CAPITAL PROJECTS FUND		
TexPool	2,943,506	2,943,506
TOTAL INVESTMENTS	$ 10,832,452	$ 10,832,452

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District's investment in TexPool was rated AAAm by Standard and Poor's.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers its investment in TexPool to have a maturity of less than one year since the share position can usually be redeemed each day at the discretion of the District.

Restrictions

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

All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

NOTE 6. CAPITAL ASSETS

Changes in capital assets during the current fiscal year are summarized in the following table:

	September 1, 2024	Increases	Decreases	August 31, 2025
Capital Assets Not Being Depreciated				
Land and Land Improvements	$ 1,073,673	$	$	$ 1,073,673
Construction in Progress	207,675	373,647	344,274	237,048
Total Capital Assets Not Being Depreciated	$ 1,281,348	$ 373,647	$ 344,274	$ 1,310,721
Capital Assets Subject to Depreciation				
Water System	$ 9,957,700	$ 294,450	$	$ 10,252,150
Wastewater System	9,298,077	49,824		9,347,901
Drainage System	7,361,807			7,361,807
Total Capital Assets Subject to Depreciation	$ 26,617,584	$ 344,274	$ - 0 -	$ 26,961,858
Less Accumulated Depreciation				
Water System	$ 4,899,506	$ 345,630	$	$ 5,245,136
Wastewater System	3,436,086	185,725		3,621,811
Drainage System	4,009,126	193,902		4,203,028
Total Accumulated Depreciation	$ 12,344,718	$ 725,257	$ - 0 -	$ 13,069,975
Total Depreciable Capital Assets, Net of Accumulated Depreciation	$ 14,272,866	$ (380,983)	$ - 0 -	$ 13,891,883
Total Capital Assets, Net of Accumulated Depreciation	$ 15,554,214	$ (7,336)	$ 344,274	$ 15,202,604

NOTE 7. MAINTENANCE TAX

On August 12, 1978, the voters of the District approved the levy and collection of a maintenance tax not to exceed $1.00 per $100 of assessed valuation of taxable property within the District. During the fiscal year ended August 31, 2025, the District levied an ad valorem maintenance tax rate of $0.37 per $100 of assessed valuation, which resulted in a tax levy of $2,609,262 on the adjusted taxable valuation of $705,205,764 for the 2024 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and sanitary sewer system.

NOTE 8. WASTE DISPOSAL JOINT VENTURE

On June 1, 1982, the District executed a contract with Harris County Municipal Utility District No. 221 (District No. 221) providing for both districts to share in the construction and operating costs of joint sewage treatment facilities. On October 28, 2003, the contract was amended due to the expansion of the plant to 1,800,000 gpd, and the term of the contract was extended for 40 years from the amendment date. After the expansion, District No. 221 owns 44.5% of the capacity and the District owns 55.5% of the capacity. District No. 221 is to maintain and operate the plant and the District has agreed to pay its pro rata share of costs at rates agreed upon by the districts. The allocation of operation and maintenance expenditures is based on the number of connections in the representative districts. Certain costs are allocated based on capacity. The District has funded an operating reserve of $120,719.

The following summary financial data of the joint sewage treatment facilities is presented for the fiscal year ended September 30, 2024, the most recently completed audit of District No. 221.

	Joint Venture
Total Assets	$ 464,825
Total Liabilities	394,590
Total Fund Balance	$ 70,235
Total Revenues	$ 1,716,261
Total Expenditures	1,716,261
Net Change in Fund Balance	$ -0-
Fund Balance – October 1, 2023	70,235
Fund Balance – September 30, 2024	$ 70,235

NOTE 9. WATER SUPPLY AND SEWER TRUNKLINE CAPACITY CONTRACT

On April 19, 2000, the District executed a Water Supply and Sewer Truck Line Capacity Contract with Harris County Municipal Utility District No. 221. District No. 221 purchased 33% capacity in the trunk line and 18% capacity of the lift station to serve the portion of the tract within the boundaries of District No. 221. On October 2, 2008, the District executed an Amended and Restated Water Supply and Sewer Trunkline Capacity Contract with District No. 221 amending the calculation of costs. The contract is in effect until December 31, 2030.

NOTE 10. CITY OF HOUSTON WATER SUPPLY AND GROUNDWATER REDUCTION PLAN AGREEMENT

On March 27, 2003, the District executed a City of Houston Water Supply and Groundwater Reduction Plan Agreement for Regulatory Area 3 of the Harris-Galveston Coastal Subsidence District (the "Agreement"). The Agreement is with the City of Houston, Texas (the "City"). Under the terms of the Agreement the City is responsible for the design, construction and operation of a project to meet compliance criteria of the Harris-Galveston Coastal Subsidence District (the "Subsidence District").

The City has developed a Groundwater Reduction Plan (the "GRP") for itself and the District. The term of the agreement is until noon on December 31, 2040, unless sooner terminated pursuant to the terms of the Agreement. During the current fiscal year, the District recorded expenditures of $839,851.

NOTE 11. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The District carries commercial insurance for its fidelity bonds and participates in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide property, general liability, automobile, boiler and machinery, errors and omissions and workers compensation coverage. 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.

NOTE 12. STRATEGIC PARTNERSHIP AGREEMENT

Effective April 9, 2007, the District entered into a Strategic Partnership Agreement with the City of Houston, Texas. The agreement provides that in accordance with Subchapter F of Chapter 43 of the Local Government Code and Act, the City shall annex a tract of land defined as the "Subject Tract" for the limited purposes within the Subject Tract within the boundaries of the District. The District will continue to develop, to own, and to operate and maintain a water and wastewater system in the District. The City imposes a Sales and Use Tax within the boundaries of the Subject tract on the receipts from the sale and use at retail of taxable items at the rate of one percent or the rate specified under future amendments to Chapter 321 of the Tax Code. The City agrees that it will not annex the District for full purposes or commence any action to annex the District for full purposes during the term of this Agreement. The term of this Agreement is 30 years from the effective date of the agreement.

NOTE 13. UNREIMBURSED DEVELOPER COSTS

The District has executed a developer financing agreement which call for the Developer to fund costs associated with utility infrastructure until such time as the District can sell bonds. Reimbursement to the Developer will come from future bond sales, subject to the approval of the Commission, as necessary. The prior year balance of $2,714,141 was reduced by current year reimbursements and adjustments totaling $2,434,655 leaving unreimbursed costs as of year end totaling $279,486. These costs relate to utilities serving the Imperial Heights subdivision.

NOTE 14. BOND SALE

On November 21, 2024, the District closed on the sale of its Unlimited Tax Bonds, Series 2024 in the amount of $5,365,000. Proceeds from the bond sale were used to reimburse the Developer for construction and engineering costs related to utilities serving Imperial Heights, Section 1 and land acquisition costs. Bond proceeds were also used to pay for Developer interest, bond issuance costs, and improvements to facilities shared with Harris County Municipal Utility District No. 221.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 154

REQUIRED SUPPLEMENTARY INFORMATION

AUGUST 31, 2025

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 154
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	$ 2,000,000	$ 2,578,820	$ 578,820
Water Service	700,000	697,220	(2,780)
Wastewater Service	920,000	1,004,662	84,662
Security Service	355,000	372,883	17,883
Groundwater Reduction Assessment	900,000	951,045	51,045
Penalty and Interest	50,000	71,282	21,282
Connection and Inspection Fees	15,000	15,328	328
Sales Tax Revenues		66,803	66,803
Investment and Miscellaneous Revenues	243,000	274,816	31,816
TOTAL REVENUES	$ 5,183,000	$ 6,032,859	$ 849,859
EXPENDITURES			
Service Operations:			
Professional Fees	$ 146,000	$ 134,537	$ 11,463
Contracted Services	1,206,500	1,414,338	(207,838)
Purchased Wastewater Service	725,000	1,055,103	(330,103)
Utilities	174,000	142,007	31,993
Groundwater Reduction Assessment	1,100,000	839,851	260,149
Repairs and Maintenance	685,500	677,167	8,333
Other	241,100	253,104	(12,004)
Capital Outlay	582,000	322,180	259,820
TOTAL EXPENDITURES	$ 4,860,100	$ 4,838,287	$ 21,813
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 322,900	$ 1,194,572	$ 871,672
OTHER FINANCING SOURCES (USES)			
Transfers In	$ -0-	$ 253,235	$ 253,235
NET CHANGE IN FUND BALANCE	$ 322,900	$ 1,447,807	$ 1,124,907
FUND BALANCE - SEPTEMBER 1, 2024	5,146,445	5,146,445	
FUND BALANCE - AUGUST 31, 2025	$ 5,469,345	$ 6,594,252	$ 1,124,907

Seen accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 154

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

AUGUST 31, 2025

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 154
SERVICES AND RATES
FOR THE YEAR ENDED AUGUST 31, 2025

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

X	Retail Water		Wholesale Water	X	Drainage
X	Retail Wastewater		Wholesale Wastewater		Irrigation
	Parks/Recreation		Fire Protection	X	Security
X	Solid Waste/Garbage		Flood Control		Roads
X	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 5/8" METER (OR EQUIVALENT):

The rates below are based on the rate order approved April 17, 2025.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	$ 13.00	5,000	N	$ 0.75	5,001 and up
WASTEWATER:	$ 27.04	15,000	N	$ 0.25	15,001 and up

SURCHARGE:

Solid Waste/ Garbage — Included in wastewater rate above

Security — $ 7.00 per connection

GRP — City of Houston, Texas groundwater reduction fee of $4.57 per 1,000 gallons of water used x 1.10 x 58.5%, or $2.95 per 1,000 gallons.

District employs winter averaging for wastewater usage? ____ Yes X No

Total monthly charges per 10,000 gallons usage: Water: $16.75 Wastewater: $27.04 Surcharge: $36.50

See accompanying independent auditor's report.

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
≤¾"	2,714	2,697	x 1.0	2,697
1"	3	3	x 2.5	8
1½"	6	5	x 5.0	25
2"	21	21	x 8.0	168
3"	1	1	x 15.0	15
4"	6	6	x 25.0	150
6"	4	4	x 50.0	200
8"	1	1	x 80.0	80
10"			x 115.0	
Total Water Connections	2,756	2,738		3,343
Total Wastewater Connections	2,727	2,711	x 1.0	2,711

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

Gallons pumped into system:	334,870,000	Water Accountability Ratio: 100% (Gallons billed, sold and flushed/ Gallons pumped and purchased)
Gallons billed to customers:	331,679,000	
Leaks and flushing:	21,735,000	
Gallons purchased:	71,321,000	From: Harris County Municipal Utility District No. 221
Gallons sold:	52,777,000	To: Harris County Municipal Utility District No. 221

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

Does the District have Debt Service standby fees? Yes __ No _X_

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

5. **LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes _X_ No _____

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely _____ Partly ______ Not at all _X_

Is the District located within a city's extraterritorial jurisdiction (ETJ)?

Entirely _X_ Partly ______ Not at all _____

ETJ in which District is located:

City of Houston, Texas.

Are Board Members appointed by an office outside the District?

Yes _____ No _X_

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 154
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 2025

PROFESSIONAL FEES:		
Auditing	$	24,000
Engineering		53,433
Legal		57,104
TOTAL PROFESSIONAL FEES	$	134,537
PURCHASED WASTEWATER SERVICE	$	1,055,103
CONTRACTED SERVICES:		
Bookkeeping	$	44,296
Operations and Billing		234,891
Solid Waste Disposal		620,328
Security		514,823
TOTAL CONTRACTED SERVICES	$	1,414,338
UTILITIES:		
Electricity	$	122,939
Telephone		19,068
TOTAL UTILITIES	$	142,007
REPAIRS AND MAINTENANCE	$	677,167
ADMINISTRATIVE EXPENDITURES:		
Director Fees, Including Payroll Taxes	$	32,003
Election Costs		64,235
Insurance		46,547
Travel and Meetings		26,632
Other		14,838
TOTAL ADMINISTRATIVE EXPENDITURES	$	184,255
CAPITAL OUTLAY	$	322,180
OTHER EXPENDITURES:		
Chemicals	$	31,238
Groundwater Reduction Fees		839,851
Laboratory Fees		12,226
Permit Fees		17,939
Regulatory Assessment		7,446
TOTAL OTHER EXPENDITURES	$	908,700
TOTAL EXPENDITURES	$	4,838,287

See accompanying independent auditor’s report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 154
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
GENERAL FUND					
TexPool	XXXX0003	Varies	Daily	$ 6,455,788	$ - 0 -
DEBT SERVICE FUND					
TexPool	XXXX0004	Varies	Daily	$ 1,433,158	$ - 0 -
CAPITAL PROJECTS FUND					
TexPool	XXXX0005	Varies	Daily	$ 1,026,687	$
TexPool	XXXX0006	Varies	Daily	1,916,819	
TOTAL CAPITAL PROJECTS FUND				$ 2,943,506	$ - 0 -
TOTAL - ALL FUNDS				$ 10,832,452	$ - 0 -

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 154
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2025

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
SEPTEMBER 1, 2024	$ 39,294		$ 33,839	
Adjustments to Beginning Balance	(18,285)	$ 21,009	(14,189)	$ 19,650
Original 2024 Tax Levy	$ 2,444,620		$ 1,189,275	
Adjustment to 2024 Tax Levy	164,642	2,609,262	80,096	1,269,371
TOTAL TO BE ACCOUNTED FOR		$ 2,630,271		$ 1,289,021
TAX COLLECTIONS:				
Prior Years	$ (633)		$ (439)	
Current Year	2,579,453	2,578,820	1,254,869	1,254,430
TAXES RECEIVABLE - AUGUST 31, 2025		$ 51,451		$ 34,591
TAXES RECEIVABLE BY YEAR:				
2024		$ 29,809		$ 14,502
2023		7,522		5,823
2022		5,905		4,558
2021		3,043		2,567
2020		1,917		1,886
2019		997		1,163
2018		804		991
2017		358		414
2016		316		434
2015 and prior		780		2,253
TOTAL		$ 51,451		$ 34,591

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 154
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2025

	2024	2023	2022	2021
PROPERTY VALUATIONS:				
Land	$ 153,138,535	$ 152,042,031	$ 99,326,135	$ 94,279,565
Improvements	647,873,422	670,989,375	614,021,189	494,616,942
Personal Property	32,595,262	31,765,033	28,593,495	22,219,337
Exemptions	(128,401,455)	(173,202,843)	(160,440,424)	(112,978,462)
TOTAL PROPERTY VALUATIONS	$ 705,205,764	$ 681,593,596	$ 581,500,395	$ 498,137,382
TAX RATES PER $100 VALUATION:				
Debt Service	$ 0.18	$ 0.24	$ 0.2500	$ 0.27
Maintenance	0.37	0.31	0.3239	0.32
TOTAL TAX RATES PER $100 VALUATION	$ 0.55	$ 0.55	$ 0.5739	$ 0.59
ADJUSTED TAX LEVY*	$ 3,878,633	$ 3,748,766	$ 3,337,230	$ 2,939,011
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	98.86 %	99.64 %	99.69 %	99.81 %

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

Maintenance Tax – Maximum tax rate of $1.00 per $100 of assessed valuation was approved by voters on August 12, 1978.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 154
LONG-TERM DEBT SERVICE REQUIREMENTS
AUGUST 31, 2025

	S E R I E S - 2 0 1 6 R E F U N D I N G		
Due During Fiscal Years Ending August 31	Principal Due April 1	Interest Due October 1/ April 1	Total
2026	$ 715,000	$ 77,025	$ 792,025
2027	605,000	60,938	665,938
2028	620,000	41,275	661,275
2029	650,000	21,125	671,125
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
	$ 2,590,000	$ 200,363	$ 2,790,363

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 154
LONG-TERM DEBT SERVICE REQUIREMENTS
AUGUST 31, 2025

	SERIES-2019		
Due During Fiscal Years Ending August 31	Principal Due April 1	Interest Due October 1/ April 1	Total
2026	$ 210,000	$ 93,843	$ 303,843
2027	225,000	89,643	314,643
2028	235,000	85,143	320,143
2029	245,000	80,150	325,150
2030	260,000	74,943	334,943
2031	270,000	69,419	339,419
2032	285,000	63,681	348,681
2033	300,000	57,625	357,625
2034	315,000	50,875	365,875
2035	330,000	43,788	373,788
2036	345,000	36,363	381,363
2037	365,000	28,169	393,169
2038	380,000	19,500	399,500
2039	400,000	10,000	410,000
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
	$ 4,165,000	$ 803,142	$ 4,968,142

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 154
LONG-TERM DEBT SERVICE REQUIREMENTS
AUGUST 31, 2025

	SERIES - 2024		
Due During Fiscal Years Ending August 31	Principal Due April 1	Interest Due October 1/ April 1	Total
2026	$	$ 224,225	$ 224,225
2027		224,225	224,225
2028		224,225	224,225
2029		224,225	224,225
2030	160,000	224,225	384,225
2031	170,000	213,825	383,825
2032	180,000	203,200	383,200
2033	190,000	194,200	384,200
2034	195,000	186,600	381,600
2035	205,000	178,800	383,800
2036	220,000	170,600	390,600
2037	230,000	161,800	391,800
2038	240,000	152,600	392,600
2039	250,000	143,000	393,000
2040	265,000	133,000	398,000
2041	280,000	122,400	402,400
2042	290,000	111,200	401,200
2043	305,000	99,600	404,600
2044	320,000	87,400	407,400
2045	340,000	74,600	414,600
2046	355,000	61,000	416,000
2047	370,000	46,800	416,800
2048	390,000	32,000	422,000
2049	410,000	16,400	426,400
	$ 5,365,000	$ 3,510,150	$ 8,875,150

See accompanying independent auditor’s report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 154
LONG-TERM DEBT SERVICE REQUIREMENTS
AUGUST 31, 2025

Due During Fiscal Years Ending August 31	ANNUAL REQUIREMENTS FOR ALL SERIES		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2026	$ 925,000	$ 395,093	$ 1,320,093
2027	830,000	374,806	1,204,806
2028	855,000	350,643	1,205,643
2029	895,000	325,500	1,220,500
2030	420,000	299,168	719,168
2031	440,000	283,244	723,244
2032	465,000	266,881	731,881
2033	490,000	251,825	741,825
2034	510,000	237,475	747,475
2035	535,000	222,588	757,588
2036	565,000	206,963	771,963
2037	595,000	189,969	784,969
2038	620,000	172,100	792,100
2039	650,000	153,000	803,000
2040	265,000	133,000	398,000
2041	280,000	122,400	402,400
2042	290,000	111,200	401,200
2043	305,000	99,600	404,600
2044	320,000	87,400	407,400
2045	340,000	74,600	414,600
2046	355,000	61,000	416,000
2047	370,000	46,800	416,800
2048	390,000	32,000	422,000
2049	410,000	16,400	426,400
	$ 12,120,000	$ 4,513,655	$ 16,633,655

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 154
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED AUGUST 31, 2025

Description	Original Bonds Issued	Bonds Outstanding September 1, 2024
Harris County Municipal Utility District No. 154 Unlimited Tax Refunding Bonds - Series 2014	$ 3,860,000	$ 685,000
Harris County Municipal Utility District No. 154 Unlimited Tax Refunding Bonds - Series 2016	5,380,000	3,130,000
Harris County Municipal Utility District No. 154 Unlimited Tax Bonds - Series 2019	4,165,000	4,165,000
Harris County Municipal Utility District No. 154 Unlimited Tax Bonds - Series 2024	5,365,000	
TOTAL	$ 18,770,000	$ 7,980,000

Bond Authority:	Tax Bonds
Amount Authorized by Voters	$ 92,700,000
Amount Issued	(33,775,000)
Remaining to be Issued	$ 58,925,000

Note: The District also has the authority to issue refunding bonds.

Debt Service Fund cash and investment balances as of August 31, 2025:	$ 1,582,033
Average annual debt service payment for remaining term of all bond debt:	$ 693,069

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

See accompanying independent auditor's report.

Current Year Transactions				
	Retirements			
Bonds Sold	Principal	Interest	Bonds Outstanding August 31, 2025	Paying Agent
$	$ 685,000	$ 18,221	$ -0-	BB&T Governmental Finance Charlotte, NC
	540,000	87,825	2,590,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
		93,844	4,165,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
5,365,000		80,970	5,365,000	The Bank of New York Mellon Trust Company, N.A. Houston, TX
$ 5,365,000	$ 1,225,000	$ 280,860	$ 12,120,000	

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 154
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2025	2024	2023
REVENUES			
Property Taxes	$ 2,578,820	$ 2,093,702	$ 1,867,171
Water Service	697,220	797,569	703,556
Wastewater Service	1,004,662	1,056,638	904,524
Security Service	372,883	355,870	361,734
Groundwater Reduction Assessment	951,045	922,873	603,559
Penalty and Interest	71,282	58,671	41,859
Connection and Inspection Fees	15,328	8,955	47,540
Sales Tax Revenues	66,803		
Investment and Miscellaneous Revenues	274,816	284,265	209,464
TOTAL REVENUES	$ 6,032,859	$ 5,578,543	$ 4,739,407
EXPENDITURES			
Professional Fees	$ 134,537	$ 139,415	$ 126,041
Contracted Services	1,414,338	1,336,712	1,175,677
Purchased Wastewater Service	1,055,103	678,524	1,024,374
Utilities	142,007	133,600	175,584
Groundwater Reduction Fees	839,851	1,234,903	317,064
Repairs and Maintenance	677,167	728,040	658,790
Other	253,104	223,240	213,165
Capital Outlay	322,180	674,511	250,405
TOTAL EXPENDITURES	$ 4,838,287	$ 5,148,945	$ 3,941,100
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 1,194,572	$ 429,598	$ 798,307
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	$ 253,235	$ - 0 -	$ - 0 -
NET CHANGE IN FUND BALANCE	$ 1,447,807	$ 429,598	$ 798,307
BEGINNING FUND BALANCE	5,146,445	4,716,847	3,918,540
ENDING FUND BALANCE	$ 6,594,252	$ 5,146,445	$ 4,716,847

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2022	2021	2025	2024	2023	2022	2021
$ 1,589,230	$ 1,441,301	42.5 %	37.5 %	39.5 %	39.1 %	40.4 %
682,731	655,388	11.6	14.3	14.8	16.8	18.4
781,891	699,347	16.7	18.9	19.1	19.2	19.6
321,457	318,727	6.2	6.4	7.6	7.9	9.0
379,990	330,975	15.8	16.5	12.7	9.3	9.3
42,203	31,345	1.2	1.1	0.9	1.0	0.9
229,920	16,850	0.3	0.2	1.0	5.6	0.5
		1.1				
44,940	66,313	4.6	5.1	4.4	1.1	1.9
$ 4,072,362	$ 3,560,246	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 143,199	$ 135,604	2.2 %	2.5 %	2.7 %	3.5 %	3.8 %
1,014,627	994,833	23.4	24.0	24.8	24.9	27.9
688,159	593,554	17.5	12.2	21.6	16.9	16.7
133,078	109,506	2.4	2.4	3.7	3.3	3.1
450,555	282,184	13.9	22.1	6.7	11.1	7.9
828,452	516,619	11.2	13.1	13.9	20.3	14.5
296,323	113,092	4.2	4.0	4.5	7.3	3.2
398,145	1,030,670	5.3	12.1	5.3	9.8	28.9
$ 3,952,538	$ 3,776,062	80.1 %	92.4 %	83.2 %	97.1 %	106.0 %
$ 119,824	$ (215,816)	19.9 %	7.6 %	16.8 %	2.9 %	(6.0) %
$ - 0 -	$ (90,060)					
$ 119,824	$ (305,876)					
3,798,716	4,104,592					
$ 3,918,540	$ 3,798,716					

See accompanying independent auditor’s report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 154
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2025	2024	2023
REVENUES			
Property Taxes	$ 1,254,430	$ 1,621,682	$ 1,444,818
Penalty and Interest	31,338	36,691	49,313
Investment and Miscellaneous Revenues	97,756	112,985	68,460
TOTAL REVENUES	$ 1,383,524	$ 1,771,358	$ 1,562,591
EXPENDITURES			
Professional, Contracted and Other Services	$ 106,294	$ 103,258	$ 86,972
Debt Service Principal	1,225,000	1,195,000	1,160,000
Debt Service Interest	280,860	233,496	266,120
TOTAL EXPENDITURES	$ 1,612,154	$ 1,531,754	$ 1,513,092
NET CHANGE IN FUND BALANCE	$ (228,630)	$ 239,604	$ 49,499
BEGINNING FUND BALANCE	1,800,109	1,560,505	1,511,006
ENDING FUND BALANCE	$ 1,571,479	$ 1,800,109	$ 1,560,505
TOTAL ACTIVE RETAIL WATER CONNECTIONS	2,738	2,735	2,735
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	2,711	2,708	2,710

See accompanying independent auditor's report.

			Percentage of Total Revenues			
2022	2021	2025	2024	2023	2022	2021
$ 1,341,548	$ 1,419,990	90.6 %	91.5 %	92.4 %	97.6 %	98.0 %
24,272	26,717	2.3	2.1	3.2	1.8	1.8
8,147	2,927	7.1	6.4	4.4	0.6	0.2
$ 1,373,967	$ 1,449,634	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 75,525	$ 81,127	7.7 %	5.8 %	5.6 %	5.5 %	5.6 %
1,095,000	1,065,000	88.5	67.5	74.2	79.7	73.5
298,154	324,600	20.3	13.2	17.0	21.7	22.4
$ 1,468,679	$ 1,470,727	116.5 %	86.5 %	96.8 %	106.9 %	101.5 %
$ (94,712)	$ (21,093)	(16.5) %	13.5 %	3.2 %	(6.9) %	(1.5) %
1,605,718	1,626,811					
$ 1,511,006	$ 1,605,718					
2,726	2,499					
2,704	2,479					

See accompanying independent auditor’s report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 154
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
AUGUST 31, 2025

District Mailing Address	-	Harris County Municipal Utility District No. 154 c/o Norton Rose Fulbright US LLP 1550 Lamar, Suite 2000 Houston, TX 77010
District Telephone Number	-	(713) 651-5151

Board Members	Term of Office (Elected or Appointed)	Fees of Office for year ended August 31, 2025	Expense Reimbursements for the year ended August 31, 2025	Title
John Lavallais	05/22 05/26 (Elected)	$ 7,072	$ 4,329	President
Judy Madison	05/24 05/28 (Elected)	$ 5,083	$ 3,512	Vice President
Eugene Gutierrez	05/22 05/26 (Elected)	$ 6,188	$ 4,645	Secretary
David Ortiz	05/24 05/28 (Elected)	$ 5,083	$ 4,231	Assistant Secretary
Wanda Joshlin	05/24 05/28 (Elected)	$ 6,409	$ 4,079	Assistant Secretary

Note: 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 developer or with any of the District's consultants.

The most recent submission date of the District Registration Form was on May 20, 2025.

The limit on Fees of Office that a Director may receive during a fiscal year is $7,200 as set by Board Resolution on August 28, 2003. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 154
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
AUGUST 31, 2025

Consultants:	Date Hired	Fees for the year ended August 31, 2025	Title
Norton Rose Fulbright US LLP	05/05/78	$ 67,466	General Counsel
		$ 113,665	Bond Counsel
McCall Gibson Swedlund Barfoot Ellis PLLC	08/27/87	$ 21,500	Auditor
		$ 17,500	Bond Related
ETI Bookkeeping Services	06/29/79	$ 44,296	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, LLP	03/28/96	$ 11,466	Delinquent Tax Attorney
Burke Engineering, LLC	10/22/15	$ 119,853	Engineer
Masterson Advisors LLP	05/24/18	$ 116,826	Financial Advisor
Jennifer Landreville	04/25/24	$ -0-	Investment Officer
Municipal Operations & Consulting, Inc.	05/01/10	$ 581,914	Operator
Bob Leared Interests	06/29/79	$ 57,215	Tax Assessor/ Collector

See accompanying independent auditor's report.