OFFICIAL STATEMENT DATED AUGUST 10, 2026

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF THE DISTRICT AND INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION SUBJECT TO THE MATTERS DESCRIBED UNDER "LEGAL MATTERS" HEREIN, INCLUDING THE ALTERNATIVE MINIMUM TAX ON CERTAIN CORPORATIONS. SEE "LEGAL MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

THE BONDS HAVE NOT BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

NEW ISSUE-BOOK-ENTRY-ONLY

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

$19,350,000
HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 109
(A political subdivision of the State of Texas located within Harris County)
UNLIMITED TAX BONDS
SERIES 2026

Dated: September 1, 2026 **Due: October 1, as shown below**
Interest Accrual Date: Date of Delivery

The $19,350,000 Unlimited Tax Bonds, Series 2026 (the "Bonds") are being issued by Harris County Water Control and Improvement District No. 109 (the "District"). Principal of the Bonds is payable at maturity or prior redemption. Interest on the Bonds accrues from the initial date of delivery of the Bonds to the Underwriter (hereafter defined) (expected to be September 9, 2026) (the "Date of Delivery") and is initially payable on April 1, 2027. Thereafter, interest on the Bonds accrues from the most recent interest payment date and is payable on each April 1 and October 1 until maturity or prior redemption. The Bonds will be issued only in fully registered form in denominations of $5,000 each or integral multiples thereof. The Bonds mature and are subject to redemption prior to their maturity as shown below.

The Bonds will be registered and delivered only in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial Owners (as defined herein under "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, initially The Bank of New York Mellon Trust Company, N.A. in Houston, Texas (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."

BAM
BUILD AMERICA MUTUAL

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

MATURITY SCHEDULE

Principal Amount	Maturity (October 1)	CUSIP Number(b)	Interest Rate	Initial Reoffering Yield(c)	Principal Amount	Maturity (October 1)	CUSIP Number(b)	Interest Rate	Initial Reoffering Yield(c)
$ 65,000	2027	414508 NG2	6.500 %	2.950 %	$ 610,000	2042 (a)	414508 NX5	4.250 %	4.430 %
310,000	2028	414508 NH0	6.500	3.000	645,000	2043 (a)	414508 NY3	4.250	4.500
325,000	2029	414508 NJ6	6.500	3.110	675,000	2044 (a)	414508 NZ0	4.250	4.560
340,000	2030	414508 NK3	6.500	3.210	710,000	2045 (a)	414508 PA3	4.250	4.610
360,000	2031	414508 NL1	6.500	3.320	745,000	2046 (a)	414508 PB1	4.500	4.620
375,000	2032	414508 NM9	6.500	3.420	780,000	2047 (a)	414508 PC9	4.500	4.650
395,000	2033 (a)	414508 NN7	6.500	3.530	820,000	2048 (a)	414508 PD7	4.500	4.670
415,000	2034 (a)	414508 NP2	6.500	3.670	860,000	2049 (a)	414508 PE5	4.500	4.700
435,000	2035 (a)	414508 NQ0	4.000	3.820	905,000	2050 (a)	414508 PF2	4.500	4.720
455,000	2036 (a)	414508 NR8	4.000	3.920	950,000	2051 (a)	414508 PG0	4.500	4.730
480,000	2037 (a)	414508 NS6	4.000	4.030	1,000,000	2052 (a)	414508 PH8	4.500	4.740
505,000	2038 (a)	414508 NT4	4.125	4.125	1,050,000	2053 (a)	414508 PJ4	4.500	4.750
530,000	2039 (a)	414508 NU1	4.125	4.190	1,100,000	2054 (a)	414508 PK1	4.500	4.760
555,000	2040 (a)	414508 NV9	4.250	4.280	1,155,000	2055 (a)	414508 PL9	4.500	4.770
585,000	2041 (a)	414508 NW7	4.250	4.350	1,215,000	2056 (a)	414508 PM7	4.500	4.780

(a) Bonds maturing on or after October 1, 2033, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time, in part, on October 1, 2032, or on any date thereafter, at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS—Redemption Provisions."
(b) CUSIP Numbers will be assigned to the Bonds by CUSIP Global Services and will be included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter (as herein defined) shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
(c) Initial Reoffering Yield represents the initial offering yield to the public, which has been established by the Underwriter for offers to the public and which subsequently may be changed.

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston or any entity other than the District. **INVESTMENT IN THE BONDS IS SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See "INVESTMENT CONSIDERATIONS."**

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about September 9, 2026.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this OFFICIAL STATEMENT are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Schwartz, Page & Harding, L.L.P., Bond Counsel, 1300 Post Oak Boulevard, Suite 2400, Houston, Texas, 77056, upon payment of the costs of duplication therefor.

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

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

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by Robert W. Baird & Co., Inc. (the "Underwriter"), paying the interest rates shown on the cover page hereof, at a price of 97.00% of the principal amount thereof, which resulted in a net effective interest rate of 4.652824% as calculated pursuant to Chapter 1204, Texas Government Code, as amended (the IBA method).

Prices and Marketability

Information concerning initial reoffering yields or prices is the responsibility of the Underwriter.

Except as otherwise described in the OFFICIAL NOTICE OF SALE under "DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS—Establishing the Issue Price of the Bonds," the prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Underwriter may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of 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 under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT

Description... Harris County Water Control and Improvement District No. 109 (the "District") is a political subdivision of the State of Texas, was created as a water control and improvement district by an order of the Texas Water Rights Commission, a predecessor to the Texas Commission on Environmental Quality (the "TCEQ"), dated February 15, 1968, under Article XVI, Section 59 of the Texas Constitution, and was converted from a water control and improvement district to a municipal utility district on June 28, 1977. The District is located approximately 17 miles northwest of downtown Houston, approximately one mile west of the intersection of Veteran's Memorial Parkway (also known as Stuebner Airline Road) and FM 1960. The major portion of the District is located adjacent to and south of FM 1960 and the balance adjacent to and north of FM 1960. The District contains approximately 823 acres of land. The District lies wholly within the exclusive extraterritorial jurisdiction of the City of Houston. Land within the District is located either in Klein Independent School District, Spring Independent School District or Cypress-Fairbanks Independent School District. See "THE DISTRICT" and "AERIAL PHOTOGRAPH OF THE DISTRICT."

Status of Development… Approximately 708 acres have been fully developed for single-family residential, commercial and multi- family purposes (including approximately 7 acres served by underground trunkline utilities for future commercial development). Single-family residential development includes water, sanitary sewer and drainage capacity to serve Greenwood Forest, Sections 1 through 8, Misty Valley Patio Homes, Greenwood Forest Gardens, and Timber Meadows Section 1 and 2. As of June 30, 2026, the District had 1,833 active single family connections, 32 vacant single family connections, 244 residential multi-plex connections and 5 multi-family apartments totaling approximately 1,288 apartment units. Based on the 2025 tax rolls of the District, the average single-family residential homestead value is approximately $280,000.

In addition to single-family residential development, the District provides water, sanitary sewer and drainage capacity to serve approximately 81 commercial connections. Five (5) of the commercial connections are outside the District's boundaries including Champions Village Shopping Center, Greenwood Square Shopping Center, and several small shopping facilities, office buildings and retail and service establishments.

Additionally, approximately 115 undevelopable acres are contained in detention facilities, easements, street rights-of-way, and utility sites. There is no current development activity or commercial construction in the District. See "THE DISTRICT—Status of Development."

Payment Record... The District has previously issued five series of combination unlimited tax and revenue bonds, two series of combination unlimited tax and revenue refunding bonds, three series of unlimited tax refunding bonds and four series of unlimited tax bonds, of which a total of $11,545,000 principal amount remains outstanding (the "Outstanding Bonds") as of July 1, 2026. The District has not defaulted on any debt service payments related to its previously issued debt. See "FINANCIAL STATEMENT (UNAUDITED)—Outstanding Bonds."

THE BONDS

Description... The $19,350,000 Unlimited Tax Bonds, Series 2026 (the "Bonds") are being issued as fully registered bonds pursuant to an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the District's Board of Directors (the "Board"). The Bonds are scheduled to mature serially on October 1 in each of the years 2027 through 2056, both inclusive. The Bonds will be issued in book-entry form only in denominations of $5,000 or integral multiples of $5,000. Interest on the Bonds accrues from the Date of Delivery, and is payable on April 1, 2027. Thereafter, interest on the Bonds accrues from the most recent interest payment date and is payable on each April 1 and October 1 until maturity or prior redemption. See "THE BONDS."

Book-Entry-Only System... The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds and will be deposited with DTC or its designee. See "BOOK-ENTRY-ONLY SYSTEM."

Redemption... Bonds maturing on or after October 1, 2033, are subject to redemption at the option of the District in whole, or from time to time in part, prior to their maturity dates on October 1, 2032, or on any date thereafter, at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS—Redemption Provisions."

Use of Proceeds... Proceeds of the Bonds will be used to pay for engineering and construction costs shown herein under "USE AND DISTRIBUTION OF BOND PROCEEDS." In addition, Bond proceeds will be used to capitalize twelve (12) months of interest on the Bonds and to pay engineering fees and administrative costs and certain other costs related to the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Authority for Issuance... At elections held within the District on May 4, 2019, and May 2, 2026, voters of the District authorized a total aggregate of $86,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities. The Bonds are issued by the District pursuant to said elections and to the terms and provisions of the Bond Order, an order of the TCEQ, Article XVI, Section 59 of the Texas Constitution; and Chapters 49 and 54 of the Texas Water Code, as amended. See "THE BONDS—Authority for Issuance" and "—Issuance of Additional Debt" and "INVESTMENT CONSIDERATIONS—Future Debt."

Source of Payment... Principal of and interest on the Bonds and the Outstanding Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property 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" and "—Funds."

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

Not Qualified Tax-Exempt Obligations... The District has not designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See "LEGAL MATTERS—Not Qualified Tax-Exempt Obligations."

Bond Counsel... Schwartz, Page & Harding, L.L.P., Houston, Texas. See "MANAGEMENT OF THE DISTRICT" and "LEGAL MATTERS."

Disclosure Counsel… McCall, Parkhurst & Horton LLP, Houston, Texas.

Financial Advisor… Masterson Advisors LLC, Houston, Texas. See "MANAGEMENT OF THE DISTRICT—District Consultants."

Paying Agent/Registrar... The Bank of New York Mellon Trust Company, N.A., Houston, Texas. See "THE BONDS—Method of Payment of Principal and Interest."

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2025 Certified Taxable Assessed Valuation	$862,043,416	(a)
Gross Direct Debt Outstanding (including the Bonds)	$30,895,000	(b)
Estimated Overlapping Debt	43,553,944	(c)
Gross Direct Debt and Estimated Overlapping Debt	$74,448,944	
Ratio of Gross Direct Debt to:		
2025 Certified Taxable Assessed Valuation	3.58%	
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:		
2025 Certified Taxable Assessed Valuation	8.64%	
Funds Available for Debt Service:		
Debt Service Fund Balance as of July 27, 2026	$1,256,820	
Capitalized Interest from proceeds of the Bonds (Twelve (12) months)	902,269	(d)
Total Funds Available for Debt Service	$2,159,089	
Funds Available for Operations and Maintenance as of July 27, 2026	$3,325,332	
Funds Available for Construction as of July 27, 2026	$2,530,033	
2025 Debt Service Tax Rate	$0.13500	
2025 Maintenance Tax Rate	0.09496	
2025 Total Tax Rate	$0.22996	
Average Annual Debt Service Requirement (2027-2056)	$1,682,373	(e)
Maximum Annual Debt Service Requirement (2028)	$2,352,063	(e)
Tax Rate Required to Pay Average Annual Debt Service (2027-2056) at a 95% Collection Rate		
2025 Certified Taxable Assessed Valuation	$0.21	(f)
Tax Rate Required to Pay Maximum Annual Debt Service (2028) at a 95% Collection Rate		
2025 Certified Taxable Assessed Valuation	$0.29	(f)
Water and Sewer Connections as of June 30, 2026 (g):		
Single-family Residential – active	1,833	
Single-family Residential – inactive	32	
Residential Multi-Plex	244	
Multi-Family (1,288 units)	18	
Commercial (of which 5 serve out-of-District customers)	81	
Other (irrigation and District meters)	42	
Total	2,250	
Estimated population	9,845	(h)

(a) As certified by the Harris Central Appraisal District (the "Appraisal District"). See "TAX PROCEDURES."
(b) See "FINANCIAL STATEMENT (UNAUDITED)—Outstanding Bonds."
(c) See "ESTIMATED OVERLAPPING DEBT STATEMENT" and "—Overlapping Tax Rates."
(d) The District will capitalize twelve (12) months of interest on the Bonds. Neither Texas law nor the Bond Order requires the District to maintain any minimum balance in the Debt Service Fund.
(e) See "FINANCIAL STATEMENT (UNAUDITED)—Debt Service Schedule."
(f) See "TAX DATA—Tax Adequacy for Debt Service" and "INVESTMENT CONSIDERATIONS—Possible Impact on District Rates."
(g) See "THE DISTRICT—Status of Development."
(h) Based upon 3.5 persons per occupied single-family and multi-plex residence and 2 persons per apartment unit.

OFFICIAL STATEMENT

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 109

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

$19,350,000
UNLIMITED TAX BONDS
SERIES 2026

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Harris County Water Control and Improvement District No. 109 (the "District") of its $19,350,000 Unlimited Tax Bonds, Series 2026 (the "Bonds").

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

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and 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 certain of the documents may be obtained from Schwartz, Page & Harding, L.L.P., Bond Counsel, 1300 Post Oak Boulevard, Suite 2400, Houston, Texas 77056, upon payment of duplication costs therefor.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order, a copy of which is available from Bond Counsel upon payment of the costs of duplication therefor. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

Description

The Bonds will be dated September 1, 2026, with interest payable on April 1, 2027, and on each October 1 and April 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds initially accrues from the Date of Delivery, and thereafter, from the most recent Interest Payment Date. Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months. The Bonds mature on October 1 in each of the years and in the principal amounts and accrue interest at the rates shown under "MATURITY SCHEDULE" on the cover page hereof. The Bonds are issued in fully registered form only in denominations of $5,000 or any integral multiple of $5,000 for any one maturity. The Bonds will be registered and delivered only to The Depository Trust Company, New York, New York ("DTC"), in its nominee name of Cede & Co., pursuant to the book-entry-only system described herein. No physical delivery of the Bonds will be made to the purchasers thereof. See "BOOK-ENTRY-ONLY SYSTEM."

Authority for Issuance

At elections held within the District on May 4, 2019, and May 2, 2026, voters of the District authorized a total of $86,000,000 principal amount in unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities. The Bonds are issued by the District pursuant to said elections and to the terms and provisions of the Bond Order; an order of the TCEQ, Article XVI, Section 59 of the Texas Constitution; and Chapters 49 and 54 of the Texas Water Code, as amended. After the issuance of the Bonds, a total of $60,000,000 principal amount in unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities will remain authorized but unissued.

Source and Security for Payment

The Bonds, together with the Outstanding Bonds and any additional bonds payable from ad valorem taxes, are secured by and payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the District. See "TAX PROCEDURES." Investment in the Bonds involves certain elements of risk, and all prospective purchasers are urged to examine carefully this OFFICIAL STATEMENT with respect to the investment security of the Bonds. See "INVESTMENT CONSIDERATIONS." 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 political subdivision or entity other than the District.

Funds

The Bond Order confirms the establishment of the District's Construction Fund (the "Construction Fund") and the District's Debt Service Fund (the "Bond Fund") created and established pursuant to the order of the District authorizing the issuance of the Outstanding Bonds. Twelve (12) months of interest will be capitalized on the Bonds and will be deposited from the proceeds from sale of the Bonds into the Bond Fund. All remaining proceeds of the Bonds will be deposited in the Construction Fund. The Bond Fund, which constitutes a trust fund for the benefit of the owners of the Outstanding Bonds, the Bonds and any additional tax bonds issued by the District, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Outstanding Bonds, the Bonds and any of the District's duly authorized additional bonds payable in whole or part from taxes. Amounts on deposit in the Bond Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar (as hereinafter defined), to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Outstanding Bonds, the Bonds and any additional bonds payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

Record Date

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

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on or after October 1, 2033, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of $5,000, on October 1, 2032, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon through the date fixed for redemption of such Bonds (the "Redemption Date"). 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 in accordance with its procedures. See "BOOK-ENTRY-ONLY SYSTEM." Notice of each exercise of the reserved right of optional redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the redemption date in the manner specified in the Bond Order.

By the Redemption Date, due provision shall be made with the Paying Agent/Registrar for payment of the principal of the Bonds or portions thereof to be redeemed, plus accrued interest to the Redemption Date. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Method of Payment of Principal and Interest

The Board has appointed The Bank of New York Mellon Trust Company, N.A., having its principal corporate trust office and its principal payment office in Houston, Texas, as the initial Paying Agent/Registrar for the Bonds. The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid. See "BOOK-ENTRY-ONLY SYSTEM."

Registration

Section 149(a) of the Internal Revenue Code of 1986, as amended, requires that all tax-exempt obligations (with certain exceptions that do not include the Bonds) be in registered form in order for the interest payable on such obligations to be excludable from a Beneficial Owner's income for federal income tax purposes. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. pursuant to the Book-Entry-Only System described herein. One fully-registered Bond will be issued for each maturity of the Bonds and will be deposited with DTC. See "BOOK-ENTRY-ONLY SYSTEM." So long as any Bonds remain outstanding, the District will maintain at least one paying agent/registrar in the State of Texas for the purpose of maintaining the Register on behalf of the District.

Replacement of Paying Agent/Registrar

Provision is made in the Bond Order for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar shall be required to accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a duly qualified and competent trust or banking corporation or organization organized and doing business under the laws of the United States of America or of any State thereof, with a combined capital and surplus of at least $25,000,000, which is subject to supervision of or examination by federal or state banking authorities, and which is a transfer agent duly registered with the United States Securities and Exchange Commission.

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 may issue additional bonds, with the approval of the TCEQ, necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. See "THE DISTRICT—General." At an election on November 4, 2003 (the "2003 Election"), voters of the District authorized the issuance of a total of $11,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities, all of which has been issued, and a total of $11,000,000 principal amount of unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District. Further, at an election on May 4, 2019 (the "2019 Election"), voters of the District authorized the issuance of $26,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities, all of which will have been issued after the issuance of the Bonds, and a total of $26,000,000 principal amount of unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District. Further, at an election on May 2, 2026 (the "2026 Election"), voters of the District authorized the issuance of $60,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities. Following the issuance of the Bonds, the District will have $60,000,000 remaining authorization of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and all of the authorization of unlimited tax bonds for refunding from the 2019 Election, and $10,820,000 of unlimited tax refunding bonds authorized but unissued from the 2003 Election. The District's voters could authorize additional amounts.

The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District.

The District 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 TCEQ; and (c) approval of bonds by the Attorney General of Texas. The District does not provide fire protection service, and the Board has not considered calling such an election at this time. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds.

Issuance of additional bonds could dilute the investment security for the Bonds.

Financing Recreational Facilities

Conservation and reclamation districts in certain counties are authorized to develop and finance with property taxes certain recreational facilities after a district election has been successfully held to approve the issuance of bonds payable from taxes and/or a maintenance tax to support recreational facilities.

The District is authorized to issue bonds payable from an ad valorem tax to pay for the development and maintenance of recreational facilities if (i) the District duly adopts a plan for the facilities; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed 1% of the value of the taxable property in the District at the time of issuance of the bonds, or, in the event the District meets certain conditions, 3% of the value of the taxable property in the District at the time of issuance of the bonds, but in no event in an amount greater than the estimated cost in the plan; (iv) the District obtains any necessary governmental consents allowing the issuance of such bonds; (v) the issuance of the bonds is approved by the TCEQ in accordance with its rules with respect to same; and (vi) 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. In addition, the District is authorized to levy an operation and maintenance tax to support recreational facilities at a rate not to exceed $0.10 per $100 of assessed valuation of taxable property in the District, after such tax is approved at an election. Said maintenance tax is in addition to any other maintenance tax authorized to be levied by the District.

The District has not considered calling an election for such purposes but could consider doing so in the future. Issuance of bonds for recreational facilities could dilute the investment security for the Bonds.

Financing Road Facilities

Pursuant to Chapter 54 of the Water Code, a municipal utility district may petition the TCEQ for the power to issue bonds supported by property taxes to finance roads. Before the District could issue such bonds, the District would be required to receive a grant of such power from the TCEQ, authorization from the District's voters to issue such bonds, and approval of the bonds by the Attorney General of Texas. The District has not considered filing an application to the TCEQ for "road powers" or calling such an election at this time. Issuance of bonds for roads could dilute the investment security for the Bonds.

Annexation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District may be annexed for full purposes by the City of Houston, subject to compliance by the City of Houston with various requirements of Chapter 43 of the Texas Local Government Code, as amended. Such requirements may include the requirement that the City of Houston hold an election in the District whereby the qualified voters of the District approve the proposed annexation. If the District is annexed, the City of Houston must assume the District's assets and obligations (including the Bonds and the Outstanding Bonds) and abolish the District within ninety (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 for full purposes 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. Under the terms of the SPA (as hereinafter defined) between the District and the City of Houston, however, the City has agreed not to annex the District for full purposes (a traditional municipal annexation), for at least thirty (30) years from the effective date of the SPA. See "THE DISTRICT—Strategic Partnership Agreement." The District could consent to a full purpose annexation prior to that time by agreeing to amend the SPA to such effect; however, the District currently has no intention to do so.

Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water and wastewater systems with the water and wastewater systems of the district or districts with which it is consolidating, subject to voter approval. In their consolidation agreement, the consolidating districts may agree to assume each other's bonds, notes and other obligations. If each district assumes the other's bonds, notes and other obligations, taxes may be levied uniformly on all taxable property within the consolidated district in payment of same. If the districts do not assume each other's bonds, notes and other obligations, each district's taxes are levied on property in each of the original districts to pay said debts created by the respective original district as if no consolidation had taken place. No representation is made concerning whether the District will consolidate with any other district, but the District currently has no plans to do so.

Remedies in Event of Default

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observance or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right to seek 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. Certain traditional legal remedies may also not be available. See "INVESTMENT CONSIDERATIONS—Registered Owners' Remedies."

Defeasance

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

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

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

BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the Registered Owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this OFFICIAL STATEMENT. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Direct Participants is on file with DTC.

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities

Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of "AA+" from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

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

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

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

THE DISTRICT

General

The District was created as a water control and improvement district by an order of the Texas Water Rights Commission, a predecessor to the TCEQ, dated February 15, 1968, under Article XVI, Section 59 of the Texas Constitution, and was converted from a water control and improvement district to a municipal utility district on June 28, 1977. The District operates under the provisions of Chapter 49 and Chapter 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which lies wholly within the extraterritorial jurisdiction of the City of Houston (except as described below under "Strategic Partnership Agreement"), is subject to the continuing supervisory jurisdiction of the TCEQ.

The District is empowered, among other things, to finance, purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste disposal and collection services. The District is also empowered to establish, operate and maintain fire-fighting facilities, separately or jointly with one or more conservation and reclamation districts, municipalities or other political subdivisions, after approval by the TCEQ and the voters of the District. Additionally, the District may, subject to certain limitations, develop and finance recreational facilities and may also, subject to the granting of road powers by the TCEQ and certain limitations, develop and finance roads. See "THE BONDS—Issuance of Additional Debt," "—Financing Recreational Facilities" and "—Financing Road Facilities."

The District is required to observe certain requirements of the City of Houston which limit the purposes for which the District may sell bonds to finance the acquisition, construction, and improvement of waterworks, wastewater, drainage, recreational, road and fire-fighting facilities 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 lots and reserves described in a plat that has been approved by the City of Houston and filed in the real property records of Harris County. The District is also required to obtain certain TCEQ approvals prior to acquiring, constructing and financing road and fire-fighting facilities, as well as voter approval of the issuance of bonds for said purposes and/or for the purposes of financing recreational facilities. Construction and operation of the District's drainage system is subject to the regulatory jurisdiction of additional State of Texas and local agencies. See "THE SYSTEM."

Location

The District, which contains approximately 823 acres of land, is located approximately 17 miles northwest of downtown Houston, approximately one mile west of the intersection of Veteran's Memorial Parkway (also known as Stuebner Airline Road) and FM 1960. The major portion of the District is located adjacent to and south of FM 1960 and the balance adjacent to and north of FM 1960. See "AERIAL PHOTOGRAPH OF THE DISTRICT."

Status of Development

Approximately 708 acres have been fully developed for single-family residential, commercial and multi- family purposes (including approximately 7 acres served by underground trunkline utilities for future commercial development). Single-family residential development includes water, sanitary sewer and drainage capacity to serve Greenwood Forest, Sections 1 through 8, Misty Valley Patio Homes, Greenwood Forest Gardens, and Timber Meadows Section 1 and 2. As of June 30, 2026, the District had 1,833 active single family connections, 32 vacant single family connections, 244 residential multi-plex connections and 5 multi-family apartments totaling approximately 1,288 apartment units. See "INVESTMENT CONSIDERATIONS—Certain Tax Exemptions Provided for Affordable Housing." Based on the 2025 tax rolls of the District, the average single-family residential homestead value is approximately $280,000.

In addition to single-family residential development, the District provides water, sanitary sewer and drainage capacity to serve approximately 81 commercial connections. Five (5) of the commercial connections are outside the District's boundaries including Champions Village Shopping Center, Greenwood Square Shopping Center, and several small shopping facilities, office buildings and retail and service establishments.

Additionally, approximately 115 undevelopable acres are contained in detention facilities, easements, street rights-of-way, and utility sites. There is no current development activity or commercial construction in the District.

Community Facilities

Many community services and facilities are available in the general vicinity of the District. Fire protection is provided by Harris County Emergency Services District No. 29, which has a fire station facility located within the District. The area in and adjacent to the District along FM 1960 has been developed into numerous retail shopping centers, banking facilities, and service establishments. The Houston Northwest Medical Center, which contains a hospital and professional buildings, is located adjacent to FM 1960 approximately five miles from the District. Public school facilities for all grades of Klein Independent School District are located either in an elementary school in the District or intermediate and high school facilities adjacent to the District. Portions of the District are also within Spring Independent School District and Cypress-Fairbanks Independent School District.

Strategic Partnership Agreement

The District and the City of Houston (the "City") have entered into a Strategic Partnership Agreement dated effective December 30, 2003 (the "SPA") pursuant to Chapter 43 of the Texas Local Government Code. The SPA provides for a "limited purpose annexation" for that portion of the District which is developed for retail and commercial purposes in order to apply certain City health, safety, planning and zoning ordinances within the District. Areas of residential development within the District are not subject to the limited purpose annexation. The SPA also provides that the City will not annex the District for "full purposes" for at least thirty (30) years from the effective date of the SPA. Also, as a condition to full purpose annexation, any unpaid reimbursement obligations due to a developer by the District for water, wastewater and drainage facilities must be assumed by the City to the maximum extent permitted by TCEQ rules. The procedures for full purpose annexation under the SPA may differ from those otherwise applicable under Chapter 43, Texas Local Government Code, including any requirements for an election. See "THE BONDS – Annexation."

As of the effective date of the SPA, the City was authorized to impose the one percent (1%) City sales and use tax within the portion of the District included in the limited purpose annexation. Such portion includes approximately 100 acres of retail and commercial development within the District. The City pays to the District an amount equal to one half (1/2) of all sales and use tax revenue generated within such area of the District and received by the City from the Comptroller of Public Accounts of the State of Texas (the "Sales Tax Revenue"). Pursuant to State law, the District is authorized to use Sales Tax Revenue generated under the SPA for any lawful purpose. None of the anticipated Sales Tax Revenue is pledged toward the payment of principal and interest on the Bonds or the Outstanding Bonds.

MANAGEMENT OF THE DISTRICT

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to four-year staggered terms and elections are held in May in even numbered years. All of the Board members reside within the District. The current members and officers of the Board, along with their titles and terms, are listed as follows:

Name	District Board Title	Term Expires
Allen P. Schreiber	President	May 2030
W. Kemp Culbreth III	Vice President	May 2028
William Lakin	Secretary	May 2030
Juan Ramon Salinas	Assistant Secretary	May 2028
Michael Lyons	Assistant Secretary	May 2028

District Consultants

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

Bond Counsel and General Counsel: Schwartz, Page & Harding, L.L.P. ("Bond Counsel") serves as bond counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. In addition, Schwartz, Page & Harding, L.L.P. serves as general counsel to the District on matters other than the issuance of bonds.

Financial Advisor: Masterson Advisors LLC serves as the District's Financial Advisor (the "Financial Advisor"). The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

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

Engineer: Quiddity Engineering LLC (the "Engineer") provides consulting civil engineering services to the District.

Auditor: The financial statements of the District as of December 31, 2025 and for the year then ended, included in this offering document, have been audited by Forvis Mazars, LLP, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's December 31, 2025, financial statements.

Bookkeeper: The District contracts with L&S District Services, LLC for bookkeeping services for the District.

Operator: The District contracts with Inframark, LLC for maintenance and operation of the District's utility system.

Tax Assessor/Collector: Land and improvements in the District are being appraised for taxation by the Harris Central Appraisal District. The District contracts with Wheeler & Associates, Inc. to act as Tax Assessor/Collector for the District.

THE SYSTEM

According to the Engineer, the District's water supply and distribution, wastewater collection and treatment, 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 are 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 TCEQ exercises continuing supervisory authority over the District. Discharge of treated sewage is subject to the regulatory authority of the TCEQ 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 TCEQ and the U.S. Army Corps of Engineers. Harris County, the City of Houston, and the Texas Department of Health also exercise regulatory jurisdiction over the System. 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. In particular, additional or revised requirements in connection with any expansion of or permit renewal for the District's wastewater treatment plant could result in the need to construct additional facilities or could result in the downgrading of the rated treatment capacity of such plant. The following descriptions are based upon information supplied by the District's Engineer.

Source of Water Supply

The District is presently served by three water plant facilities, which includes one 1,200 gallon per minute ("gpm") well, one 1,000 gpm well and a 750 gpm well, four ground storage tanks with a total of 2,097,000 gallons of capacity, three pressure tanks with a total of 60,000 gallons of capacity, and booster pump capacity of a total of 10,000 gpm. The District receives surface water as part of the North Harris County Regional Water Authority's (the "Authority") agreement with the Harris-Galveston Subsidence District (the "Subsidence District") for a reduction in reliance on groundwater. The Authority currently supplies surface water to satisfy the District's average daily demand and the District's three wells supplement the surface water line to satisfy the District's total water demands during peak periods. See "Subsidence and Conversion to Surface Water" below. According to the Engineer, the District has adequate water supply facilities to serve the existing and any future development within the District based on current land usage assumptions and regulatory criteria. The District applied to the TCEQ for and was granted on March 25, 2008 a waiver to the requirement that districts with over 2,500 equivalent single-family connections have elevated storage capacity. Additionally, the District has interconnect agreements with Fountainhead Municipal Utility District ("Fountainhead") and Heatherloch Municipal Utility District whereby such districts have agreed to provide water to the District under emergency conditions, and the District has agreed to provide water to such districts under similar emergency conditions. The District has an interconnect agreement with Harris County Municipal Utility District No. 48 ("MUD 48") to supply that entire district with water as MUD 48 has no water production facilities.

Subsidence and Conversion to Surface Water

The District is within the boundaries of the Subsidence District which regulates groundwater withdrawal. The District's authority to pump groundwater is subject to an annual permit issued by the Subsidence District. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in areas within the Subsidence District's jurisdiction. In 1999, the Texas legislature created the Authority to, among other things, facilitate reduction of groundwater usage in, and to provide surface water to, the northern portion of Harris County (including the District). The Authority has developed a groundwater reduction plan ("GRP") and obtained Subsidence District approval of its GRP. The Authority's GRP sets forth the Authority's plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The Authority has entered into a Water Supply Contract with the City of Houston, Texas ("Houston") to obtain treated surface water from Houston. The District is included within the Authority's GRP.

The Authority has the power to issue debt supported by the revenues pledged for the payment of its obligations and may establish fees, rates, and charges as necessary to accomplish its purposes. The Authority currently charges the District, and other major groundwater users, a fee of $2.60 per 1,000 gallons of groundwater pumped and $3.05 per 1,000 gallons of surface water delivered and such fees are expected to increase in the future. The Authority has issued revenue bonds to fund, among other things, certain Authority surface water project costs. It is expected that the Authority will issue substantially more bonds by the year 2030 to finance the Authority's project costs.

Under the Subsidence District regulations and the GRP, the Authority is required: (i) through the year 2024, to limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the Authority's GRP; (ii) beginning in the year 2025, to limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the Authority's GRP; and (iii) beginning in the year 2035, and continuing thereafter, to limit groundwater withdrawals to no more than 20% of the total annual water demand of the water users within the Authority's GRP. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority is subject to a disincentive fee penalty of $12.52 per 1,000 gallons ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total annual water demand in the Authority's GRP. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the District. If the District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely impose monetary or other penalties against the District.

The District cannot predict the amount or level of fees and charges, which may be due the Authority in the future, but anticipates the need to pass such fees through to its customers resulting in higher water rates. No representation is made that the Authority: (i) will build the necessary facilities to meet the requirements of the Subsidence District for conversion to surface water, (ii) will comply with the Subsidence District's surface water conversion requirements, or (iii) will comply with its GRP.

Source of Wastewater Treatment

The District's wastewater treatment is currently provided by a 3 million gallons per day ("gpd") wastewater treatment plant, which is owned jointly by the District and Fountainhead. According to the District's Engineer, the District has adequate wastewater treatment plant capacity to service approximately 7,400 equivalent single-family connections. The District presently owns 2,220,000 gpd capacity in the plant, which according to the Engineer, is adequate to serve the District. The District also provides wastewater treatment capacity to MUD 48. Proceeds from the Bonds will be expended for improvements to the wastewater treatment plant. Following the improvements financed by proceeds of the Bonds, the wastewater treatment plant will be reduced to 1,770,000 gpd. According to the District's Engineer, the wastewater treatment plant will have capacity to service approximately 6,320 equivalent single-family connections, the District will own approximately 1,105,000 gpd capacity in the plant which will provide capacity of 3,946 equivalent single-family connections for the District. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

The District and Fountainhead pay the variable operating costs of the plant on a pro rata basis based on flows.

100-Year Flood Plain

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years.

According to the Engineer, all land within the District is above the 100-year flood plain elevation as designated by the Federal Emergency Management Administration National Flood Insurance Program Flood Insurance Rate Map for the area. See "INVESTMENT CONSIDERATIONS—Extreme Weather Events."

Use and Distribution of Bond Proceeds

The construction costs below were approved by the TCEQ in its order authorizing the issuance of the Bonds. Non-construction costs are based upon either contract amounts or estimates of various costs by Quiddity Engineering. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds. The surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used, if approved by the TCEQ where required.

I.	**CONSTRUCTION COSTS**	
	• 1.77 MGD Wastewater Treatment Plant Improvements	$ 13,231,000
	• Contingencies	1,324,000
	• Engineering	2,263,000
	Total Construction Costs	**$ 16,818,000**
II.	**NON-CONSTRUCTION COSTS**	
	• Underwriter's Discount	$ 580,500
	• Capitalized Interest (1 Year) (a)	902,269
	Total Non-Construction Costs	**$ 1,482,769**
III.	**ISSUANCE COSTS AND FEES**	
	• Issuance Costs and Professional Fees	$ 855,475
	• Bond Application Report Cost	70,650
	• State Regulatory Fees	57,875
	• Contingency (a)	65,231
	Total Issuance Costs and Fees	**$ 1,049,231**
	TOTAL BOND ISSUE	**$ 19,350,000**

(a) The TCEQ approved a maximum of twelve (12) months of capitalized interest at an estimated interest rate of 5.00% per annum. Contingency represents the difference in the estimated and actual amount of capitalized interest.

UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED

Date of Authorization	Purpose	Amount Authorized	Issued to Date	Amount Unissued
November 4, 2003	Water, Sanitary Sewer and Drainage	$11,000,000	$11,000,000	$-0-
November 4, 2003	Refunding Bonds	$11,000,000	$180,000	$10,820,000
May 4, 2019	Water, Sanitary Sewer and Drainage	$26,000,000	$26,000,000*	$-0-*
May 4, 2019	Refunding Bonds	$26,000,000	$-0-	$26,000,000
May 2, 2026	Water, Sanitary Sewer and Drainage	$60,000,000	$-0-	$60,000,000

* Includes the Bonds.

FINANCIAL STATEMENT (UNAUDITED)

2025 Certified Taxable Assessed Valuation	$862,043,416	(a)
Gross Direct Debt Outstanding (including the Bonds)	$30,895,000	
Estimated Overlapping Debt	43,553,944	(b)
Gross Direct Debt and Estimated Overlapping Debt	$74,448,944	
Ratio of Gross Direct Debt to:		
2025 Certified Taxable Assessed Valuation	3.58%	
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:		
2025 Certified Taxable Assessed Valuation	8.64%	

Area of District – 823 Acres
Estimated 2026 Population – 9,845 (c)

(a) As certified by the Harris Central Appraisal District (the "Appraisal District"). See "TAX PROCEDURES."
(b) See "—Outstanding Bonds" herein.
(c) Based upon 3.5 persons per occupied single-family and multi-plex residence and 2 persons per apartment unit.

Cash and Investment Balances (Unaudited as of July 27, 2026)

Construction Fund	Cash and Investments	$2,530,033
Bond Fund	Cash and Investments	$1,256,820
Operating Fund	Cash and Investments	$3,325,332

District Investment Policy

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended. The District's goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. Funds of the District will be invested in short term U.S. Treasuries, certificates of deposit insured by the Federal Deposit Insurance Corporation ("FDIC") or secured by collateral evidenced by perfected safekeeping receipts held by a third party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate owning long-term securities or derivative products in the District's investment portfolio.

Outstanding Bonds

Series		Original Principal Amount	Outstanding Bonds (as of 7/1/26)
2017	(a)	$ 3,985,000	$ 2,745,000
2020		3,110,000	2,550,000
2022		6,650,000	6,250,000
Total		$ 13,745,000	$ 11,545,000
The Bonds			19,350,000
Total Outstanding Bonds			$ 30,895,000

(a) Unlimited tax refunding bonds.

Debt Service Schedule

The following sets forth the debt service on the Outstanding Bonds and the Bonds. This schedule does not reflect the fact that the District will capitalize twelve (12) months of interest from proceeds of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Year	Outstanding Bonds Debt Service	Plus: Debt Service on the Bonds Principal	Interest	Total	Total Debt Service
2026	$ 965,909.37 (a)	$ -	$ -	$ -	$ 965,909.37
2027	1,147,818.75	65,000	957,407.40	1,022,407.40	2,170,226.15
2028	1,144,018.75	310,000	898,043.75	1,208,043.75	2,352,062.50
2029	1,134,718.75	325,000	877,893.75	1,202,893.75	2,337,612.50
2030	1,131,118.75	340,000	856,768.75	1,196,768.75	2,327,887.50
2031	1,127,018.75	360,000	834,668.75	1,194,668.75	2,321,687.50
2032	1,116,918.75	375,000	811,268.75	1,186,268.75	2,303,187.50
2033	726,018.75	395,000	786,893.75	1,181,893.75	1,907,912.50
2034	709,518.75	415,000	761,218.75	1,176,218.75	1,885,737.50
2035	692,800.00	435,000	734,243.75	1,169,243.75	1,862,043.75
2036	676,081.25	455,000	716,843.75	1,171,843.75	1,847,925.00
2037	658,737.50	480,000	698,643.75	1,178,643.75	1,837,381.25
2038	666,393.75	505,000	679,443.75	1,184,443.75	1,850,837.50
2039	647,362.50	530,000	658,612.50	1,188,612.50	1,835,975.00
2040	638,331.25	555,000	636,750.00	1,191,750.00	1,830,081.25
2041	548,875.00	585,000	613,162.50	1,198,162.50	1,747,037.50
2042	538,531.25	610,000	588,300.00	1,198,300.00	1,736,831.25
2043	517,750.00	645,000	562,375.00	1,207,375.00	1,725,125.00
2044	496,375.00	675,000	534,962.50	1,209,962.50	1,706,337.50
2045	-	710,000	506,275.00	1,216,275.00	1,216,275.00
2046	-	745,000	476,100.00	1,221,100.00	1,221,100.00
2047	-	780,000	442,575.00	1,222,575.00	1,222,575.00
2048	-	820,000	407,475.00	1,227,475.00	1,227,475.00
2049	-	860,000	370,575.00	1,230,575.00	1,230,575.00
2050	-	905,000	331,875.00	1,236,875.00	1,236,875.00
2051	-	950,000	291,150.00	1,241,150.00	1,241,150.00
2052	-	1,000,000	248,400.00	1,248,400.00	1,248,400.00
2053	-	1,050,000	203,400.00	1,253,400.00	1,253,400.00
2054	-	1,100,000	156,150.00	1,256,150.00	1,256,150.00
2055	-	1,155,000	106,650.00	1,261,650.00	1,261,650.00
2056	-	1,215,000	54,675.00	1,269,675.00	1,269,675.00
Total	$ 15,284,296.87	$ 19,350,000	$ 16,802,801.15	$ 36,152,801.15	$ 51,437,098.02

(a) Excludes the District's April 1, 2026 debt service payment in the amount of $215,909.

Average Annual Debt Service Requirements (2027-2056) $1,682,373
Maximum Annual Debt Service Requirement (2028) $2,352,063

ESTIMATED OVERLAPPING DEBT STATEMENT

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

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping Percent	Overlapping Amount
Harris County	$ 2,473,177,553	6/30/2026	0.13%	$ 3,215,131
Harris County Flood Control District	937,165,000	6/30/2026	0.13%	1,218,315
Harris County Hospital District	1,644,825,000	6/30/2026	0.14%	2,302,755
Harris County Department of Education	28,960,000	6/30/2026	0.13%	37,648
Port of Houston Authority	386,074,397	6/30/2026	0.13%	501,897
Lone Star College System	342,055,000	6/30/2026	0.25%	855,138
Cypress-Fairbanks Independent School District	3,264,440,000	6/30/2026	0.06%	1,958,664
Spring Independent School District	1,300,200,000	6/30/2026	0.07%	910,140
Klein Independent School District	1,453,315,000	6/30/2026	2.24%	32,554,256
	Total Estimated Overlapping Debt			$ 43,553,944
	Direct Debt (a)			30,895,000
	Total Direct and Estimated Overlapping Debt			$ 74,448,944

Direct and Estimated Overlapping Debt as a Percentage of:
2025 Certified Taxable Assessed Valuation of $862,043,416 .... 8.64%

(a) Includes the Bonds and the Outstanding Bonds.

Overlapping Tax Rates

	Tax Rate per $100 of Taxable Assessed Valuation
Harris County (including Harris County Flood Control District, Harris County Hospital District, Harris County Department of Education and the Port of Houston Authority)	$ 0.628928
Harris County Emergency Services District No. 11	0.038078
Harris County Emergency Services District No. 29	0.100000
Lone Star College System	0.106000
Klein Independent School District (a)	1.011900
Total Overlapping Tax Rate	$ 1.884906
The District	$ 0.229960
Total Tax Rate	$ 2.114866

(a) Land within the District is located in either Klein Independent School District ("ISD"), Cypress-Fairbanks ISD or Spring ISD. Cypress-Fairbanks ISD levied a 2025 tax rate of $1.0669 per $100 taxable assessed valuation, resulting in a total tax rate for taxpayers in this area of $2.16987 per $100 taxable assessed valuation. Spring ISD levied a 2025 tax rate of $1.1369 per $100 taxable assessed valuation, resulting in a total tax rate for taxpayers in this area of $2.23987 per $100 taxable assessed valuation.

TAX DATA

Tax Collections

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

Tax Year	Certified Taxable Assessed Valuation (a)	Tax Rate	Total (b) Tax Levy	Total Collections As of 6/30/2026 (c) Amount	Percent
2021	$ 676,310,991	$ 0.24500	$ 1,656,962	$ 1,650,964	99.64%
2022	769,889,998	0.22950	1,766,898	1,758,965	99.55%
2023	844,151,560	0.22800	1,924,666	1,914,331	99.46%
2024	860,695,730	0.22370	1,925,376	1,912,382	99.33%
2025	862,043,416	0.22996	1,982,355	1,893,799	95.53%

(a) As certified by the Appraisal District. See “Tax Roll Information” herein for gross appraised value and exemptions granted by the District.
(b) Represents actual tax levy, including any adjustments by the Appraisal District, as of the date hereof.
(c) Unaudited.

Tax Rate Distribution

	2025	2024	2023	2022	2021
Debt Service	$ 0.13500	$ 0.13500	$ 0.13500	$ 0.14700	$ 0.11000
Maintenance & Operations	0.09496	0.08870	0.09300	0.08250	0.13500
Total	$ 0.22996	$ 0.22370	$ 0.22800	$ 0.22950	$ 0.24500

Tax Rate Limitations

Debt Service: Unlimited (no legal limit as to rate or amount).
Maintenance: $0.50 per $100 of taxable assessed valuation.

Debt Service Tax

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. The District levied a debt service tax for 2025 at a rate of $0.135 per $100 of taxable assessed valuation. See “Tax Rate Distribution” herein.

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 November 4, 2003, the voters within the District authorized the levy of such a maintenance tax in an amount not to exceed $0.50 per $100 of taxable assessed valuation. Such tax is levied in addition to taxes which the District is authorized to levy for principal and interest on the Bonds, the Outstanding Bonds and any additional bonds payable in whole or in part from taxes, which may be issued in the future. The District levied a maintenance tax for 2025 at a rate of $0.09496 per $100 of taxable assessed valuation. See “Tax Rate Distribution” herein.

Tax Exemptions

For the tax year 2026, the District has adopted an exemption of $15,000 of the appraised value of residential homesteads of individuals who are sixty-five (65) years of age or older or who are under a disability for purposes of disability benefits. See “TAX PROCEDURES—Property Subject to Taxation by the District.”

Principal Taxpayers

The following table represents the principal taxpayers, the taxable assessed value of such property, and such property's taxable assessed value as a percentage of the 2025 Certified Taxable Assessed Valuation of $862,043,416. This represents ownership as of January 1, 2025.

Taxpayer	2025 Certified Taxable Assessed Valuation	% of 2025 Certified Taxable Assessed Valuation
Champion Village LLC Et Al.	$ 45,500,000	5.28%
Armour 5959 FM LLC (a)	42,293,662	4.91%
MMFI Greenwood Forest LLC (a)	34,777,227	4.03%
12811 Greenwood Forest Dr Houston LLC (a)	17,242,516	2.00%
Bammel 77066 LLC (a)	17,000,000	1.97%
Champion Forest Property Holdings II LLC (a)	12,954,501	1.50%
Lexington at Champions LLC (a)	11,335,877	1.32%
Merrick Road Associates	8,133,933	0.94%
Smithco 5603 LP	5,690,973	0.66%
EAN Holdings LLC	5,072,273	0.59%
Total	$ 200,000,962	23.20%

(a) See "INVESTMENT CONSIDERATIONS—Certain Tax Exemptions Provided for Affordable Housing."

Summary of Assessed Valuation

The following summaries of the 2025, 2024 and 2023 Certified Taxable Assessed Valuations were provided by the District's Tax Assessor/Collector based on information contained in the respective tax rolls of the District. Totals may vary slightly from other data herein due to differences in dates of data.

	2025 Certified Taxable Assessed Valuation	2024 Certified Taxable Assessed Valuation	2023 Certified Taxable Assessed Valuation
Land	$ 205,793,673	$ 204,151,157	$ 203,991,040
Improvements	668,299,576	667,315,598	650,833,333
Personal Property	43,425,672	43,820,966	40,557,998
Exemptions	(55,475,505)	(54,591,991)	(51,230,811)
Total	$ 862,043,416	$ 860,695,730	$ 844,151,560

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per $100 of taxable assessed valuation which would be required to meet average annual and maximum annual debt service requirements on the Bonds and the Outstanding Bonds if no growth in the District's tax base occurred beyond the 2025 Certified Taxable Assessed Valuation of $862,043,416. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in the taxable value in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "FINANCIAL STATEMENT (UNAUDITED)—Debt Service Schedule" and INVESTMENT CONSIDERATIONS—Possible Impact on District Tax Rates."

Average Annual Debt Service Requirement (2027-2056) $1,682,373
$0.21 Tax Rate on the 2025 Certified Taxable Assessed Valuation $1,719,777

Maximum Annual Debt Service Requirement (2028) $2,352,063
$0.29 Tax Rate on the 2025 Certified Taxable Assessed Valuation $2,374,930

TAX PROCEDURES

Property Tax Code and County-Wide Appraisal Districts

The Texas Tax Code (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 a single appraisal district with the responsibility for recording and appraising property for all taxing units within a county and a single appraisal review board with the 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 located wholly within Harris County, including the District. Such appraisal values are subject to review and change by the Harris County Appraisal Review Board (the "Appraisal Review Board"). Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a 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. Absent any such appeal, the appraisal roll, as prepared by the Appraisal District and approved by the Appraisal Review Board, must be used by each taxing jurisdiction in establishing its tax roll and tax rate. The District is eligible, along with all other conservation and reclamation districts within Harris County to participate in the nomination of and vote for a member of the Board of Directors of the Appraisal District.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2026 tax year, the District granted an exemption of $15,000 of assessed valuation for persons 65 years of age or 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. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or, (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of a member of the armed forces or, a first responder (as defined under Texas law), who was (i) killed in action or (ii) fatally injured in the line of duty is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

A "Freeport Exemption" applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining oil or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to certain tangible personal property, as defined by the Property Tax Code acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. The exemption excludes oil, natural gas, petroleum products, aircraft and certain special inventory including dealer's motor vehicles, dealer's vessel and outboard motor vehicle, dealer's heavy equipment and retail manufactured housing inventory. The exemption applies to covered property if it is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the

District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. However, taxing units who took official action as allowed by prior law before October 1, 2011, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. The District has taken official action to allow taxation of all such goods-in-transit personal property, but may choose to exempt same in the future by further official action.

General Residential Homestead Exemption

Texas law 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, but not less than $5,000, if any exemption is granted, from ad valorem taxation. The law provides, however, that 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. For the 2026 tax year, the District has not granted a general residential homestead exemption.

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

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

District and Taxpayer Remedies

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

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

Agricultural, Open Space, Timberland, and Inventory Deferment

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

Tax Abatement

The City of Houston or 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.

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. The District adopts its tax rate each year after it receives a tax roll certified by the Appraisal District. Taxes are due upon receipt of a bill therefor, and become delinquent after January 31 of the following year or thirty (30) days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. A delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid beginning the first calendar month it is delinquent. A delinquent tax also incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent plus a one percent (1%) penalty for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent, which penalty remains at such rate without further increase. If the tax is not paid by July 1, an additional penalty of up to the amount of the compensation specified in the District's contract with its delinquent tax collection attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District. With respect to personal property taxes that become delinquent on or after February 1 of a year and that remain delinquent sixty (60) days after the date on which they become delinquent, as an alternative to the penalty described in the foregoing sentence, an additional penalty on personal property of up to the amount specified in the District's contract with its delinquent tax attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District prior to July 1. The District's contract with its delinquent tax collection attorney currently specifies a twenty percent (20%) additional penalty. The District may waive penalties and interest on delinquent taxes only for items specified in the Texas Property Tax Code. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas law, is also entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes with the District in the preceding 24 months.

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code, classifies municipal utility districts differently based on their current operation and maintenance tax rate or on the percentage of projected build-out that a 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 herein as "Low Tax Rate Districts." Districts that have financed, completed, and issued bonds to pay for all land, 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. See "TAX DATA" for a description of the District's current total tax rate.

Low Tax Rate Districts: Low Tax Rate Districts 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 in the district, 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 Low Tax Rate District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

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 in the district, subject to certain homestead exemptions, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.035 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions, 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 Low Tax Rate District and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Low Tax Rate Districts.

Developing Districts: Districts that do not meet the classification of a Low Tax Rate District 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 imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, 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 the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

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

District's Rights in the Event of Tax Delinquencies

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

Except with respect to (i) owners of residential homestead property who are sixty-five (65) years of age or older or under a disability as described above and who have filed an affidavit as required by law and (ii) owners of residential homesteads who have entered into an installment agreement with the District for payment of delinquent taxes as described above and who are not in default under said agreement at any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, or by taxpayer redemption rights (a taxpayer may redeem property that is a residence homestead or was designated for agricultural use within two (2) years after the deed issued at foreclosure is filed of record and may redeem all other property within six (6) months after the deed issued at foreclosure is filed of record) or by bankruptcy proceedings which restrict the collection of taxpayer debt. The District's ability to foreclose its tax lien or collect penalties and interest may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act (12 U.S.C. 1825, as amended). Generally, the District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. See "INVESTMENT CONSIDERATIONS—Tax Collections Limitations and The Effect of the Financial Institutions Act of 1989 on Tax Collections of the District."

WATER AND SEWER OPERATIONS

General

The Bonds are payable from an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property in the District. Although net revenues from operations of the District's water and sanitary sewer system, if any, are not pledged to the payment of the Outstanding Bonds and the Bonds, such net revenues are available for any legal purpose, including the payment of debt service on the Outstanding Bonds and the Bonds, upon Board action. The District does not anticipate any significant net revenues to be available for such purposes in the foreseeable future.

Waterworks and Sewer System Operating Statement

The following statement sets forth in condensed form the General Operating Fund for the District as shown in the District's audited financial statements for the fiscal years ended December 31, 2022 through December 31, 2025 and an unaudited summary provided by the Bookkeeper for the period ended June 30, 2026. Such figures are included for informational purposes only. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to "APPENDIX A" for further and complete information.

	1/1/2026 to 6/30/2026 (unaudited)	Fiscal Year Ended December 31			
		2025	2024	2023	2022
Revenues:					
Property Taxes	$ 231,249	$ 758,221	$ 803,795	$ 636,939	$ 910,709
Sales Tax Rebates	240,608	296,907	322,505	303,114	323,868
Water Service	517,352	1,034,133	747,738	672,765	485,322
Sewer Service	686,540	1,425,310	1,089,787	1,019,936	957,278
Regional Water Fee	449,808	1,272,194	1,511,047	1,770,069	2,078,108
Service to Other Governmental Entities	27,313	-	114,613	130,488	123,221
Penalty and Interest	32,365	130,524	118,428	136,980	140,167
Tap Connection and Inspection Fees	89,988	6,960	6,840	7,380	8,823
Investment Income	69,964	220,491	306,242	258,911	48,100
Other Income	32,767	-	31,679	-	14,338
Capital Recovery Fee	-	-	-	-	101,520
Total Revenue	$ 2,377,953	$ 5,144,740	$ 5,052,674	$ 4,936,582	$ 5,191,454
Expenditures:					
Purchased Services	$ 674,126	$ 1,978,186	$ 1,678,372	$ 1,941,989	$ 1,879,151
Regional Water Fee	110,802	429,783	976,460	532,413	848,985
Professional Fees	267,027	328,497	306,573	298,157	248,295
Contracted Services	201,404	269,921	295,848	236,633	275,563
Garbage Service	332,989	698,354	662,510	623,967	588,564
Utilities	36,245	78,553	69,517	76,426	85,821
Repairs and Maintenance	514,844	997,797	1,103,878	836,565	642,993
Other Expenditures	79,333	211,688	188,171	163,965	150,812
Tap Connections	76,735	-	-	-	-
Capital Outlay	11,414	406,538	88,409	420,120	451,457
Debt Issuance Costs	-	9,750	-	-	-
Total Expenditures	$ 2,304,919	$ 5,409,067	$ 5,369,738	$ 5,130,235	$ 5,171,641
NET REVENUES	$ 73,034	$ (264,327)	$ (317,064)	$ (193,653)	$ 19,813
Other Financing Sources					
Interfund Transfers	$ -	$ -	$ -	$ 5,402	$ -
Return of Capital	-	22,784	22,784	22,784	22,784
Insurance Proceeds	-	-	-	-	77,354
General Operating Fund Balance (Beginning of Year)	$ 4,612,560	$ 4,854,103	$ 5,148,383	$ 5,313,850	$ 5,193,899
General Operating Fund Balance (End of Year)	$ 4,685,594	$ 4,612,560	$ 4,854,103	$ 5,148,383	$ 5,313,850

INVESTMENT CONSIDERATIONS

General

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

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 industry will have on property values in the District.

Extreme Weather Events

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days.

According to the Operator the system serving the District did not sustain any material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. Further, the District is not aware of any improvements within the District that experienced structural flooding or other material damage as a result of Hurricane Harvey.

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

Specific Flood Type Risks

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

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

Atlas 14

In 2018 the National Weather Service completed a rainfall study knows as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based upon the Atlas 14 study, which is based upon a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties. 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. See "THE SYSTEM."

Tax Collections Limitations and The Effect of the Financial Institutions Act of 1989 on Tax Collections of the District

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

Registered Owners' Remedies

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 right to seek 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.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of 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. Texas law requires a district, such as the District, to obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code.

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 collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owners' claims against a district.

A district may not be forced into bankruptcy involuntarily.

Future Debt

The District reserves in the Bond Order the right to issue the remaining principal amount of authorized but unissued unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities from the 2026 Election and the $10,820,000 in principal amount of unlimited tax refunding bonds from the 2003 Election and $26,000,000 in principal amount of unlimited tax refunding bonds from the 2019 Election of authorized but unissued unlimited tax bonds for the purpose of refunding the outstanding bonds of the District and any additional bonds which may be voted hereafter. The issuance of such future obligations may adversely affect the investment security of the Bonds.

The District does not employ any formula with respect to assessed valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds, other than bonds issued to finance road facilities, if any, is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS—Issuance of Additional Debt," "—Financing Road Facilities," and "—Financing Recreational Facilities."

Dependence on Principal Taxpayers

The ten principal taxpayers represent $200,000,962 or 23.20% of the 2025 Certified Taxable Assessed Valuation. If any of the major taxpayers were to default in the payment of taxes in an amount which exceeds the District's bond fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or to sell tax anticipation notes. Failure to liquidate its tax lien or borrow funds in a timely fashion could result in an excessive District tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its Bond Fund. See "Tax Collections Limitations and The Effect of the Financial Institutions Act of 1989 on Tax Collections of the District" in this section, "TAX DATA—Principal Taxpayers," and "TAX PROCEDURES—Levy and Collection of Taxes."

Certain Tax Exemptions Provided for Affordable Housing

A significant percentage of the District's tax base is composed of multifamily development. 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 multifamily 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 facilities located within the boundaries of the District that are either owned or leased by a PFC.

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

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

Marketability of the Bonds

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

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 District. Further, changes in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

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

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

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

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

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

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

Pursuant to the federal Safe Drinking Water Act ("SDWA") and the EPA's National Primary Drinking Water Regulations ("NPDWRs"), which are implemented by the TCEQ's Water Supply Division, a municipal utility district's provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency's rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future. Further, the EPA has established a NPDWR for six (6) Per- and 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 District's stormwater discharges currently maintain permit coverage through the Municipal Separate Storm System Permit (the "Current Permit") issued to the Storm Water Management Joint Task Force consisting of Harris County, Harris County Flood Control District, the City of Houston, and the Texas Department of Transportation. In the event that at any time in the future the District is not included in the Current Permit, it may be required to seek independent coverage under the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. If the District's inclusion in the MS4 Permit 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.

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

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

The obligations of the insurer are contractual obligations and in an event of default by the insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies. Neither the District nor the Underwriter has made independent investigation into the claims paying ability of the insurer and no assurance or representation regarding the financial strength or projected financial strength of the insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the insurer, particularly over the life of the investment. See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE" for further information provided by the insurer and the Policy, which includes further instructions for obtaining current financial information concerning the insurer.

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such legislation, administrative action, or court decision could limit for certain individual taxpayers the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

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."

LEGAL MATTERS

Legal Opinions

The District will furnish to the Underwriter a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving legal 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 Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District 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. The District will also furnish the approving legal opinion of Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the Registered Owners of the Bonds 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 and to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, assuming compliance by the District with certain covenants relating to the use and investment of the proceeds of the Bonds. See "Tax Exemption" below. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property within the District. Bond Counsel's opinion will also address the matters described below.

In addition to serving as Bond Counsel, Schwartz, Page & Harding, L.L.P., also serves as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid to 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. Certain legal matters will be passed upon for the District by McCall Parkhurst & Horton, L.L.P., Houston, Texas, as Disclosure Counsel.

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

Legal Review

In its capacity as Bond Counsel, Schwartz, Page & Harding, L.L.P., has reviewed the information appearing in this OFFICIAL STATEMENT under the captioned sections "THE BONDS," "THE DISTRICT—General, "MANAGEMENT OF THE DISTRICT—Bond Counsel and General Counsel," "TAX PROCEDURES," and "LEGAL MATTERS," solely to determine whether such information fairly summarizes the law and documents referred to therein. Such firm has not independently verified factual information contained in this OFFICIAL STATEMENT, nor has such firm 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 such firm'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 of the other information contained herein.

Tax Exemption

On the date of initial delivery of the Bonds, Bond Counsel will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof, and (2) the Bonds will not be treated as "specified private activity bonds", the interest on which would be included as an alternative minimum tax preference item under Section 57 (a)(5) of the Internal Revenue Code of 1986, as amended (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on or disposition of the Bonds.

In rendering its opinion, Bond Counsel will rely upon, and assume continuing compliance with, (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate issued in connection with the Bonds, and (b) covenants of the District contained in the Bond Order relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

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

Not Qualified Tax-Exempt Obligations

The District has not designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Code.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law which is subject to change or modification retroactively.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences. The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, including financial institutions, life insurance and property and casualty insurance companies, owners of interests in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and individuals allowed an earned income credit. THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIFIC PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP, AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds may be includable in certain corporation's "adjusted financial statement income" determined under Section 56A of the Code to calculate the alternative minimum tax imposed by Section 55 of the Code.

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

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

State, Local and Foreign Taxes

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

Tax Accounting Treatment of Original Issue Discount and Premium Bonds

The initial public offering price to be paid for one or more maturities of the Bonds is less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrued period or be in excess of one year (the "Original Issue Discount Bonds"). The difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. See "Tax Exemption" herein for a discussion of certain collateral federal tax consequences.

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

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

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. ALL OWNERS OF ORIGINAL ISSUE DISCOUNT BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE DETERMINATION FOR FEDERAL, STATE AND LOCAL INCOME TAX PURPOSES OF INTEREST ACCRUED UPON REDEMPTION, SALE OR OTHER DISPOSITION OF SUCH ORIGINAL ISSUE DISCOUNT BONDS AND WITH RESPECT TO THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP, REDEMPTION, SALE OR OTHER DISPOSITION OF SUCH ORIGINAL ISSUE DISCOUNT BONDS.

The initial public offering price to be paid for certain maturities of the Bonds is greater than the amount payable on such Bonds at maturity (the "Premium Bonds"). 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. 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 WITH RESPECT TO THE PREMIUM BONDS FOR FEDERAL INCOME TAX PURPOSES AND WITH RESPECT TO THE STATE AND LOCAL TAX CONSEQUENCES OF OWNING PREMIUM BONDS.

NO MATERIAL ADVERSE CHANGE

The obligations of the Underwriter to take and pay for the Bonds, and 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 subsequent to the date of sale from that set forth or contemplated in the Preliminary Official Statement, as it may have been supplemented or amended through the date of the sale.

NO-LITIGATION CERTIFICATE

With the delivery of the Bonds, the President or Vice President and Secretary or Assistant Secretary of the Board will, on behalf of the District, execute and deliver to the Underwriters a certificate dated as of the date of delivery, to the effect that no litigation of any nature of which the District has notice is pending against or, to the knowledge of the District's certifying officers, threatened against the District, either in state or federal courts, 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 or 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 title of the then present officers and directors of the Board.

MUNICIPAL BOND RATING

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

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 28 Liberty Street, 59th Floor, New York, New York 10005, its telephone number is: 212-235-2500, and its website is located at: https://bambonds.com.

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2026 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $493.3 million, $277.6 million and $215.7 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

Masterson Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the OFFICIAL STATEMENT, including the OFFICIAL NOTICE OF SALE and the OFFICIAL BID FORM for the sale of the Bonds. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this OFFICIAL STATEMENT. The Financial Advisor has reviewed the information in this OFFICIAL STATEMENT in accordance with, and as a part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Consultants

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

Appraisal District: The information contained in this OFFICIAL STATEMENT relating to the Assessed Valuations of the District have been provided by 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.

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

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

Auditor: The financial statements of the District as of December 31, 2025 and for the year then ended, included in this offering document, have been audited by Forvis Mazars, LLP, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's December 31, 2025, financial statements.

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

Updating the Official Statement

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

Certification of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

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").

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 "THE SYSTEM," "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)," (except "Estimated Overlapping Debt") and "TAX DATA" (most of which information is contained in the District's annual audited financial statements) and 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 may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements, if the District commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District will provide unaudited financial statements by the required time, and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond 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 December 31. Accordingly, it must provide updated information by June 30 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Specified Event Notices

The District will provide timely notices of certain events to the MRSB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of 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 to a decision to purchase or sell Bonds; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The terms "financial obligation" and "material" when used in this paragraph shall have the meaning ascribed to them under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from the MSRB

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through an internet portal at www.emma.msrb.org.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement 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 operations of the District, but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as a nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of such Rule or a court of final jurisdiction determines that such provisions are invalid but in either case, only to the extent that its right to do so would not prevent the Underwriters from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance With Prior Undertakings

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

MISCELLANEOUS

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

/s/ Allen P. Schreiber

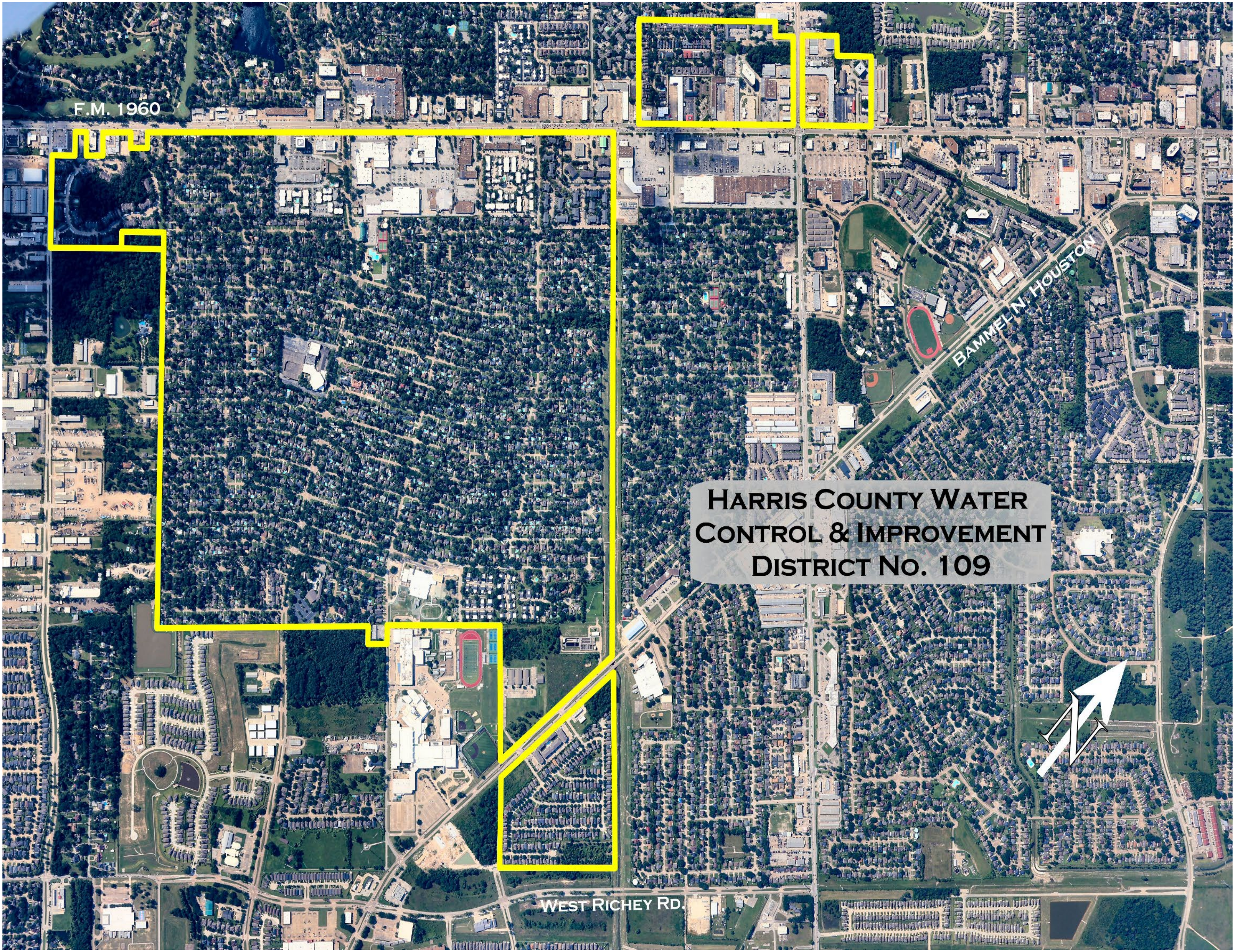
Harris County Water Control and
Improvement District No. 109
President, Board of Directors

ATTEST:

/s/ William Lakin

Harris County Water Control and
Improvement District No. 109
Secretary, Board of Directors

AERIAL PHOTOGRAPH OF THE DISTRICT
(Taken July 2026)


F.M. 1960
Bammel N. Houston
Harris County Water
Control & Improvement
District No. 109
N
West Richey Rd.

PHOTOGRAPHS OF THE DISTRICT
(As of July 2026)


5814


TIMBER MEADOW
NO PARKING
TOW AWAY ZONE


THE Lexington AT CHAMPIONS
Apartment Homes
5007


Greenwood Forest
12820


4606


TAQUERIA
La Perla de Jalisco
A balanced diet, is a taco on each hand!
Authentic Mexican Food
GAME OVER
VIDEOGAMES
LIZ's BEAUTY SUPPLY
ICGC
ROYAL CENTER
SUNDAY 10.AM
WED 7.PM
FOR LEASING
ELEGANT REALTY - (832) 934-0000
5020
CHELSEA SQUARE II
MARKET PLACE
MASSAGE TAO
FOOT SPA
LUX LASHES
STUDIO
INSURANCE
SUIT EXPRESS
281-248-4997
PHOENIX RISING
VAPOR LOUNGE
CASTLE DENTAL


Exxon
AutoZone


HCA Houston
ER 24/7
ER
PATIENT DROP OFF
EMERGENCY
SNAPPERS


Public
Storage.

APPENDIX A

Independent Auditor's Report and Financial Statements for the fiscal year ended December 31, 2025

Harris County Water Control and Improvement District No. 109

Harris County, Texas

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

December 31, 2025

Harris County Water Control and Improvement District No. 109
Contents
December 31, 2025

Forvis Mazars, LLP
2700 Post Oak Boulevard, Suite 1500
Houston, TX 77056
P 713.499.4600 | F 713.499.4699
forvismazars.us

Independent Auditor's Report

Board of Directors
Harris County Water Control and Improvement District No. 109
Harris County, Texas

Opinions

We have audited the financial statements of the governmental activities and each major fund of Harris County Water Control and Improvement District No. 109 (District), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedules required by the Texas Commission on Environmental Quality listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Forvis Mazars, LLP

Houston, Texas
May 22, 2026

Overview of the Financial Statements

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

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

Notes to Financial Statements

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

Financial Analysis of the District as a Whole

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

Summary of Net Position

	2025	2024
Current and other assets	$ 13,011,031	$ 14,979,601
Capital assets	12,583,174	11,221,303
Total assets	25,594,205	26,200,904
Deferred outflows of resources	140,634	167,860
Total assets and deferred outflows of resources	$ 25,734,839	$ 26,368,764
Long-term liabilities	$ 11,606,975	$ 12,347,411
Other liabilities	1,978,795	2,431,122
Total liabilities	13,585,770	14,778,533
Deferred inflows of resources	2,021,806	1,960,224

Summary of Net Position (Continued)

	2025	2024
Net position		
Net investment in capital assets	$ 3,820,440	$ 3,091,213
Restricted	1,354,730	1,347,850
Unrestricted	4,952,093	5,190,944
Total net position	$ 10,127,263	$ 9,630,007

The total net position of the District increased by $497,256, or about 5%. The majority of the increase in net position is related to property taxes, sales tax rebates, and charges for services revenues exceeding services expenses. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Changes in Net Position

	2025	2024
Revenues		
Property taxes	$ 1,922,791	$ 1,957,739
Sales tax rebates	321,927	333,403
Charges for services	4,246,368	4,055,102
Other revenues	705,640	882,970
Total revenues	7,196,726	7,229,214
Expenses		
Services	5,509,611	5,869,291
Depreciation	721,703	520,572
Debt service	468,156	483,802
Total expenses	6,699,470	6,873,665
Change in net position	497,256	355,549
Net position, beginning of year	9,630,007	9,274,458
Net position, end of year	$ 10,127,263	$ 9,630,007

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended December 31, 2025 were $8,719,952, a decrease of $1,586,112 from the prior year.

The general fund's fund balance decreased by $241,543 due to service operations and capital outlay expenditures exceeding property taxes, sales tax rebates, and service revenues and investment income.

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

The debt service fund's fund balance decreased by $65,753 due to contracted services expenditures and bond principal and interest requirements exceeding property tax revenues.

The capital projects fund's fund balance decreased by $1,278,816 due to capital outlay expenditures exceeding investment income and a capital contribution.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to water and sewer service revenue and purchased service and capital outlay expenditures being greater than expected, as well as regional water fee revenues and expenditures being less than expected. The fund balance as of December 31, 2025 was expected to be $4,997,982, and the actual end-of-year fund balance was $4,612,560.

Capital Assets and Related Debt

Capital Assets

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

Capital Assets (Net of Accumulated Depreciation)

	2025	2024
Land and improvements	$ 1,922,287	$ 1,922,287
Construction in progress	79,705	1,870,935
Water facilities	1,255,412	1,014,758
Wastewater facilities	7,125,176	4,126,522
Drainage facilities	1,784,114	1,830,279
Land improvements	53,614	58,974
Recreational facilities	362,866	397,548
Total capital assets	$ 12,583,174	$ 11,221,303

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

Construction in progress related to water plant Nos. 1-3 motor control center replacements and North Cashel Circle sanitary sewer lead improvements	$ 40,641
Water well No. 3 rework	360,251
Wastewater treatment plant improvements	1,534,854
Replacement of various pumps and parts at wastewater treatment plant	147,828
Total additions to capital assets	$ 2,083,574

Debt

The changes in the debt position of the District during the fiscal year ended December 31, 2025 are summarized as follows.

Long-term debt payable, beginning of year	$ 12,347,411
Decreases in long-term debt	(740,436)
Long-term debt payable, end of year	$ 11,606,975

At December 31, 2025, the District had $19,350,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing, and improving the water, sanitary sewer, and drainage systems within the District.

The District's bonds carry an underlying rating of "A1" from Moody's Investors Service, Inc. (Moody's). The Series 2017 refunding bonds carry a "AA" rating from Standard & Poor's and an "A1" rating from Moody's by virtue of bond insurance issued by Assured Guaranty Inc. The Series 2020 and 2022 bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company.

Other Relevant Factors

Relationship to the City of Houston

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

Strategic Partnership Agreement

The District entered into a Strategic Partnership Agreement (SPA) with the City effective November 10, 2003, and as amended. Pursuant to the terms of the SPA, the City annexed certain commercial areas of the District for limited purposes. The SPA provides for the levy of City sales tax on qualifying retail sales in the District. The District will continue to provide water, sewer, and drainage services to all properties within its boundaries until full annexation, which, according to the terms of the SPA, shall not occur prior to 2033, if at all. During the current year, the District recorded $321,927 in revenues related to the SPA.

Harris County Water Control and Improvement District No. 109
Statement of Net Position and Governmental Funds Balance Sheet
December 31, 2025

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets							
Cash	$ 1,388,639	$ 77,753	$ 725,686	$ 154,985	$ 2,347,063	$ -	$ 2,347,063
Short-term investments	4,449,324	-	188,434	2,823,451	7,461,209	-	7,461,209
Receivables							
Property taxes	734,527	-	1,037,551	-	1,772,078	-	1,772,078
Service accounts	489,684	-	-	-	489,684	-	489,684
Sales tax rebates	80,839	-	-	-	80,839	70,109	150,948
Accrued penalty and interest	-	-	-	-	-	38,139	38,139
Interfund receivables	137,784	99,408	-	506,839	744,031	(744,031)	-
Due from participant	-	496,791	-	-	496,791	-	496,791
Due from others	31,353	-	-	-	31,353	-	31,353
Due from regional water authority	-	-	-	-	-	223,766	223,766
Capital assets (net of accumulated depreciation)							
Land and improvements	-	-	-	-	-	1,975,901	1,975,901
Construction in progress	-	-	-	-	-	79,705	79,705
Infrastructure	-	-	-	-	-	10,164,702	10,164,702
Recreational facilities	-	-	-	-	-	362,866	362,866
Total Assets	7,312,150	673,952	1,951,671	3,485,275	13,423,048	12,171,157	25,594,205
Deferred Outflows of Resources							
Deferred amount on debt refundings	-	-	-	-	-	140,634	140,634
Total Assets and Deferred Outflows of Resources	$ 7,312,150	$ 673,952	$ 1,951,671	$ 3,485,275	$ 13,423,048	$ 12,311,791	$ 25,734,839

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Liabilities							
Accounts payable	$ 1,146,653	$ 120,947	$ 38,622	$ -	$ 1,306,222	$ -	$ 1,306,222
Accrued interest payable	-	-	-	-	-	107,955	107,955
Customer deposits	408,000	-	-	-	408,000	-	408,000
Due to others	5,418	-	-	-	5,418	-	5,418
Due to participant	-	35,200	-	-	35,200	-	35,200
Unearned tap connection fees	116,000	-	-	-	116,000	-	116,000
Interfund payables	158,442	447,805	137,784	-	744,031	(744,031)	-
Long-term liabilities							
Due within one year	-	-	-	-	-	750,000	750,000
Due after one year	-	-	-	-	-	10,856,975	10,856,975
Total Liabilities	1,834,513	603,952	176,406	-	2,614,871	10,970,899	13,585,770
Deferred Inflows of Resources							
Deferred property tax revenues	865,077	-	1,223,148	-	2,088,225	(66,419)	2,021,806
Fund Balances/Net Position							
Fund balances							
Restricted							
Unlimited tax bonds	-	-	552,117	-	552,117	(552,117)	-
Water, sewer, and drainage	-	-	-	3,485,275	3,485,275	(3,485,275)	-
Committed, wastewater collection and treatment	-	70,000	-	-	70,000	(70,000)	-
Assigned, future expenditures	149,361	-	-	-	149,361	(149,361)	-
Unassigned	4,463,199	-	-	-	4,463,199	(4,463,199)	-
Total fund balances	4,612,560	70,000	552,117	3,485,275	8,719,952	(8,719,952)	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 7,312,150	$ 673,952	$ 1,951,671	$ 3,485,275	$ 13,423,048		
Net position							
Net investment in capital assets						3,820,440	3,820,440
Restricted for plant operations						70,000	70,000
Restricted for debt service						518,530	518,530
Restricted for capital projects						766,200	766,200
Unrestricted						4,952,093	4,952,093
Total net position						$ 10,127,263	$ 10,127,263

Harris County Water Control and Improvement District No. 109
Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances
Year Ended December 31, 2025

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues							
Property taxes	$ 758,221	$ -	$ 1,154,475	$ -	$ 1,912,696	$ 10,095	$ 1,922,791
Sales tax rebates	296,907	-	-	-	296,907	25,020	321,927
Water service	1,034,133	-	-	-	1,034,133	(20,923)	1,013,210
Sewer service	1,425,310	1,807,293	-	-	3,232,603	(1,271,639)	1,960,964
Regional water fee	1,272,194	-	-	-	1,272,194	-	1,272,194
Penalty and interest	130,524	-	35,603	-	166,127	7,865	173,992
Tap connection and inspection fees	6,960	-	-	-	6,960	-	6,960
Investment income	220,491	17	25,091	168,699	414,298	14,030	428,328
Other income	-	-	-	-	-	96,360	96,360
Total Revenues	5,144,740	1,807,310	1,215,169	168,699	8,335,918	(1,139,192)	7,196,726
Expenditures/Expenses							
Service operations							
Purchased services	1,978,186	-	-	-	1,978,186	(1,184,518)	793,668
Regional water authority	429,783	-	-	-	429,783	-	429,783
Professional fees	328,497	64,688	15,041	-	408,226	14,393	422,619
Contracted services	269,921	149,157	67,705	-	486,783	-	486,783
Garbage service	698,354	-	-	-	698,354	-	698,354
Utilities	78,553	234,008	-	-	312,561	-	312,561
Repairs and maintenance	997,797	1,010,464	-	-	2,008,261	-	2,008,261
Other expenditures	211,688	126,024	19,595	275	357,582	-	357,582
Capital outlay	406,538	222,969	-	1,543,600	2,173,107	(2,173,107)	-
Depreciation	-	-	-	-	-	721,703	721,703
Debt service							
Principal retirement	-	-	715,000	-	715,000	(715,000)	-
Interest and fees	-	-	463,581	-	463,581	(5,175)	458,406
Debt issuance costs	9,750	-	-	-	9,750	-	9,750
Total Expenditures/Expenses	5,409,067	1,807,310	1,280,922	1,543,875	10,041,174	(3,341,704)	6,699,470
Deficiency of Revenues Over Expenditures	(264,327)	-	(65,753)	(1,375,176)	(1,705,256)	2,202,512	
Other Financing Sources							
Return of capital	22,784	-	-	-	22,784	(22,784)	
Capital contribution	-	-	-	96,360	96,360	(96,360)	
Total Other Financing Sources	22,784	-	-	96,360	119,144	(119,144)	
Deficiency of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(241,543)	-	(65,753)	(1,278,816)	(1,586,112)	1,586,112	
Change in Net Position						497,256	497,256
Fund Balances/Net Position							
Beginning of year	4,854,103	70,000	617,870	4,764,091	10,306,064	-	9,630,007
End of year	$ 4,612,560	$ 70,000	$ 552,117	$ 3,485,275	$ 8,719,952	$ -	$ 10,127,263

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

Harris County Water Control and Improvement District No. 109 (District) was created by an order of the Texas Water Rights Commission, now known as the Texas Commission on Environmental Quality (Commission), effective February 15, 1968, and was converted into a municipal utility district on June 28, 1977. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own, and operate waterworks, wastewater, and drainage facilities and to provide such facilities and services to the customers of the District.

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

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

The District presents the following major governmental funds:

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

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

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

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

Fund Balances – Governmental Funds

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

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

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

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

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

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

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

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

Deferred Outflows and Inflows of Resources

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

Interfund Transactions

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

Pension Costs

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

Use of Estimates

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

Investments and Investment Income

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

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

Property Taxes

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

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Any collections on the current year tax levy are deferred and recognized in the subsequent fiscal year. Current year revenues recognized are those taxes collected during the fiscal year for prior years' tax levies, plus any collections received during fiscal 2024 on the 2024 levy.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended December 31, 2025, the tax levied in October 2025 is recorded as receivable and deferred inflows of resources and will be considered earned during the fiscal year ending December 31, 2026. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

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

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

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

Water production and distribution facilities	10–45 years
Wastewater collection and treatment facilities	10–45 years
Drainage facilities	10–45 years
Land improvements	10–25 years
Recreational facilities	10–20 years

Deferred Amount on Debt Refundings

In the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt in a debt refunding is deferred and amortized to interest expense using the effective interest rate method over the remaining life of the old debt or the life of the new debt, whichever is shorter. Such amounts are classified as deferred outflows or inflows of resources.

Debt Issuance Costs

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

Long-Term Obligations

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

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

Net Position/Fund Balances

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

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

Reconciliation of Government-Wide and Fund Financial Statements

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	$ 12,583,174
Sales tax rebates receivable due from the City of Houston (City) are not receivable in the current period and are not reported in the funds.	70,109
Amounts due from the North Harris County Regional Water Authority (Authority) and from others are not receivable in the current period and are not reported in the funds.	223,766
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	66,419
Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the funds.	38,139
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(107,955)
Deferred amount on debt refundings for governmental activities is not considered financial resources and is not reported in the funds.	140,634
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	(11,606,975)
Adjustment to fund balances to arrive at net position.	$ 1,407,311

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

Change in fund balances.	$ (1,586,112)
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation expense and noncapitalized costs in the current period.	1,349,890
Government funds report principal payments on debt as expenditures. For the statement of activities, these transactions do not have any effect on net position.	715,000
Revenues that do not provide current financial resources are not reported as revenues for the funds but are reported as revenues in the statement of activities.	13,303
Some expenses previously reported in the statement of activities are reported as expenditures in the governmental funds.	5,175
Change in net position of governmental activities.	$ 497,256

Note 2. Deposits, Investments, and Investment Income

Deposits

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

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

At December 31, 2025, none of the District's bank balances were exposed to custodial credit risk.

Investments

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

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

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

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

		Maturities in Years			
Type	**Amortized Cost**	**Less Than 1**	**1–5**	**6–10**	**More Than 10**
TexPool	$ 7,461,209	$ 7,461,209	$ -	$ -	$ -

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy does not allow investments in certain mortgage-backed securities, collateralized mortgage obligations with a final maturity date in excess of 10 years, and interest rate indexed collateralized mortgage obligations. The external investment pool is presented as an investment with a maturity of less than one year because it is redeemable in full immediately.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2025, the District's investments in TexPool were rated "AAAm" by Standard & Poor's.

Summary of Carrying Values

The carrying values of deposits and investments shown previously are included in the balance sheet and statement of net position at December 31, 2025 as follows:

Carrying value	
Deposits	$ 2,347,063
Investments	7,461,209
Total	$ 9,808,272

Investment Income

Investment income of $428,328 for the year ended December 31, 2025 consisted of $414,298 of interest income on deposits and investments and $14,030 of interest income on capital contributions with the Authority.

Note 3. Capital Assets

A summary of changes in capital assets for the year ended December 31, 2025 is presented as follows.

Governmental Activities	Balances, Beginning of Year	Additions	Reclassi-fications	Balances, End of Year
Capital assets, non-depreciable				
Land and improvements	$ 1,922,287	$ -	$ -	$ 1,922,287
Construction in progress	1,870,935	40,641	(1,831,871)	79,705
Total capital assets, non-depreciable	3,793,222	40,641	(1,831,871)	2,001,992
Capital assets, depreciable				
Water production and distribution facilities	5,987,338	360,251	16,013	6,363,602
Wastewater collection and treatment facilities	14,026,066	1,682,682	1,815,858	17,524,606
Drainage facilities	2,076,219	-	-	2,076,219
Land improvements	80,420	-	-	80,420
Recreational facilities	651,572	-	-	651,572
Total capital assets, depreciable	22,821,615	2,042,933	1,831,871	26,696,419
Less accumulated depreciation				
Water production and distribution facilities	(4,972,580)	(135,610)	-	(5,108,190)
Wastewater collection and treatment facilities	(9,899,544)	(499,886)	-	(10,399,430)
Drainage facilities	(245,940)	(46,165)	-	(292,105)
Land improvements	(21,446)	(5,360)	-	(26,806)
Recreational facilities	(254,024)	(34,682)	-	(288,706)
Total accumulated depreciation	(15,393,534)	(721,703)	-	(16,115,237)
Total governmental activities, net	$ 11,221,303	$ 1,361,871	$ -	$ 12,583,174

Note 4. Long-Term Liabilities

Changes in long-term liabilities for the year ended December 31, 2025 were as follows:

Governmental Activities	Balances, Beginning of Year	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable				
General obligation bonds	$ 12,260,000	$ 715,000	$ 11,545,000	$ 750,000
Less discounts on bonds	107,630	3,988	103,642	-
Add premiums on bonds	195,041	29,424	165,617	-
Total governmental activities long-term liabilities	$ 12,347,411	$ 740,436	$ 11,606,975	$ 750,000

General Obligation Bonds

	Refunding Series 2017	Series 2020
Amounts outstanding, December 31, 2025	$2,745,000	$2,550,000
Interest rates	3.00% to 4.00%	2.00% to 3.00%
Maturity dates, serially beginning/ending	October 1, 2026/2032	October 1, 2026/2040
Interest payment dates	April 1/ October 1	April 1/ October 1
Callable dates*	October 1, 2024	October 1, 2025

	Series 2022
Amount outstanding, December 31, 2025	$6,250,000
Interest rates	4.00% to 5.00%
Maturity dates, serially beginning/ending	October 1, 2026/2044
Interest payment dates	April 1/ October 1
Callable date*	October 1, 2028

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

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at December 31, 2025:

Year	Principal	Interest	Total
2026	$ 750,000	$ 431,818	$ 1,181,818
2027	745,000	402,818	1,147,818
2028	770,000	374,018	1,144,018
2029	790,000	344,719	1,134,719
2030	815,000	316,119	1,131,119
2031–2035	3,200,000	1,172,277	4,372,277
2036–2040	2,585,000	701,907	3,286,907
2041–2044	1,890,000	211,531	2,101,531
Total	$ 11,545,000	$ 3,955,207	$ 15,500,207

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

Bonds voted	$ 37,000,000
Bonds sold	17,650,000
Refunding bonds voted	37,000,000
Refunding bond authorization used	180,000

Note 5. Significant Bond Order and Commission Requirements

The Bond Orders require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended December 31, 2025, the District levied an ad valorem debt service tax at the rate of $0.13500 per $100 of assessed valuation, which resulted in a tax levy of $1,186,919 on the taxable valuation of $879,204,515 for the 2025 tax year. The interest and principal requirements to be paid from the tax revenues and available resources are $1,181,818.

Note 6. Maintenance Taxes

At an election held November 4, 2003, voters authorized a maintenance tax not to exceed $0.50 per $100 of assessed valuation on all property within the District subject to taxation. During the year ended December 31, 2025, the District levied an ad valorem maintenance tax at the rate of $0.09496 per $100 of assessed valuation, which resulted in a tax levy of $834,887 on the taxable valuation of $879,204,515 for the 2025 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 7. Strategic Partnership Agreement

The District entered into a Strategic Partnership Agreement (SPA) with the City effective November 10, 2003, and as amended. Pursuant to the terms of the SPA, the City annexed portions of the District for limited purposes. The SPA provides for the levy of City sales tax on qualifying retail sales in the District. The District will continue to provide water, sewer, and drainage services to all properties within its boundaries until full annexation, which, according to the terms of the SPA, shall not occur prior to 2033, if at all. During the current year, the District recorded $321,927 in revenues related to the SPA.

Note 8. Regional Water Authority

The District is within the boundaries of the Authority, which was created by the Texas Legislature. The Authority was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Harris-Galveston Subsidence District, which regulates groundwater withdrawal. As of December 31, 2025, the Authority was billing the District $3.05 per 1,000 gallons of surface water purchased from the Authority and $2.60 per 1,000 gallons of water pumped from the District's wells. These amounts are subject to future adjustments.

During a prior year, the District entered into an agreement with the Authority for reimbursement of chloramine conversion costs. The Agreement allows for reimbursement of $313,619 in chloramine system costs. The District will receive payment through credits for District pumpage fees and water payments as they become due each year. These repayments accrue interest at 6% per year and will be repaid with principal and interest payments through 2041.

At December 31, 2025, the combined repayments outstanding are as follows.

Year	Amount
2026	$ 22,784
2027	22,784
2028	22,784
2029	22,784
2030	22,784
2031–2035	113,920
2036–2040	113,920
2041	1,899
	343,659
Less interest	(119,893)
Ending balance	$ 223,766

Note 9. Contracts With Other Districts

Water Supply and Waste Disposal Agreements

On July 31, 1978, amended July 24, 1984, the District entered into agreements with Harris County Municipal Utility District No. 48 (District No. 48) to sell water and waste disposal services. The agreements were amended and restated November 27, 2012 and October 14, 2013, all to be effective July 31, 2013. The Agreements are for a term of 35 years from the November 27, 2012 amendment.

Under the terms of the agreement, monthly waste disposal rates to District No. 48 are charged at a rate of 2½ times the rates charged to the District's customers. Additionally, monthly water rates are charged at a rate of 1¾ times the rates charged to the District's customers plus an additional 10% to cover administrative costs. The 1¾ multiplier and the additional 10% are not applied to the portion attributable to the Authority's charges. During the current year, the District recorded revenue of $162,953 in accordance with the agreement.

Sanitary Sewer Treatment Contract

On May 10, 2021, the District entered into a 40-year contract with Harris County Municipal Utility District No. 202 (District No. 202) to provide wastewater treatment service to residential lots to be developed on an Annexation Tract within the boundaries of District No. 202. District No. 202 shall pay all costs of acquisition and installation and will own and have title to the interconnect facilities, as well as be 100% responsible for the costs of operating, maintaining, testing, repairing, or replacing the interconnect facilities. Under the terms of the contract, District No. 202 shall pay the District a one-time Capital Recovery Fee of $101,520, which was received during 2023. The District shall charge District No. 202 monthly for each connection for which wastewater treatment service is being provided in an amount equal to 110% of the amount paid by the District's residential customers for wastewater treatment service in accordance with the then-current rate order. During the current year, the District did not provide any wastewater treatment services under this contract.

Note 10. Operation of Joint Waste Treatment Plant

On August 3, 1977, the District entered into a 25-year waste disposal agreement with Fountainhead Municipal Utility District (Fountainhead), which superseded all previous waste disposal agreements between the two districts. The District is the operator of and holds title to the facilities for the benefit of the parties. Construction costs were shared based on a pro rata share of costs relative to capacity acquired in the facilities. The agreement was last amended effective March 11, 2011 and has been extended through June 1, 2031.

Operations

The District and Fountainhead (districts) share operating costs based on active connections.

During the current year, the districts' shares of net expenditures were $1,184,518 for the District and $622,775 for Fountainhead. An operating reserve of $105,000 has been established with the District contributing $70,000 and Fountainhead contributing $35,000.

At December 31, 2025, the special revenue fund had service receivables of $99,408 from the District and $227,311 from Fountainhead.

Note 11. Risk Management

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

Required Supplementary Information

Harris County Water Control and Improvement District No. 109
Budgetary Comparison Schedule – General Fund
Year Ended December 31, 2025

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	$ 743,200	$ 758,221	$ 15,021
Sales tax rebates	335,000	296,907	(38,093)
Water service	752,000	1,034,133	282,133
Sewer service	1,062,000	1,425,310	363,310
Regional water fee	1,550,000	1,272,194	(277,806)
Service to other governmental entities	58,000	-	(58,000)
Penalty and interest	115,000	130,524	15,524
Tap connection and inspection fees	9,500	6,960	(2,540)
Investment income	300,000	220,491	(79,509)
Other income	1,200	-	(1,200)
Total Revenues	4,925,900	5,144,740	218,840
Expenditures			
Service operations			
Purchased services	1,426,299	1,978,186	(551,887)
Regional water authority	800,000	429,783	370,217
Professional fees	304,100	328,497	(24,397)
Contracted services	260,750	269,921	(9,171)
Garbage service	675,000	698,354	(23,354)
Utilities	76,200	78,553	(2,353)
Repairs and maintenance	1,010,000	997,797	12,203
Other expenditures	205,672	211,688	(6,016)
Tap connections	800	-	800
Capital outlay	46,000	406,538	(360,538)
Debt issuance costs	-	9,750	(9,750)
Total Expenditures	4,804,821	5,409,067	(604,246)
Excess (Deficiency) of Revenues Over Expenditures	121,079	(264,327)	(385,406)
Other Financing Sources			
Return of capital	22,800	22,784	(16)
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	143,879	(241,543)	(385,422)
Fund Balance, Beginning of Year	4,854,103	4,854,103	-
Fund Balance, End of Year	$ 4,997,982	$ 4,612,560	$ (385,422)

Harris County Water Control and Improvement District No. 109
Budgetary Comparison Schedule – Special Revenue Fund
Year Ended December 31, 2025

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Sewer service	$ 1,040,460	$ 1,807,293	$ 766,833
Investment income	-	17	17
Total Revenues	1,040,460	1,807,310	766,850
Expenditures			
Service operations			
Professional fees	80,200	64,688	15,512
Contracted services	162,600	149,157	13,443
Utilities	262,150	234,008	28,142
Repairs and maintenance	418,150	1,010,464	(592,314)
Other expenditures	117,360	126,024	(8,664)
Capital outlay	-	222,969	(222,969)
Total Expenditures	1,040,460	1,807,310	(766,850)
Excess of Revenues Over Expenditures	-	-	-
Fund Balance, Beginning of Year	70,000	70,000	-
Fund Balance, End of Year	$ 70,000	$ 70,000	$ -

Budgets and Budgetary Accounting

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

The District prepares its annual operating budgets on a basis consistent with accounting principles generally accepted in the United States of America. The Budgetary Comparison Schedules – General Fund and Special Revenue Fund present the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Supplementary Information

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

[X] Notes Required by the Water District Accounting Manual
See “Notes to Financial Statements,” Pages 11–22

[X] Schedule of Services and Rates

[X] Schedule of General Fund Expenditures

[X] Schedule of Temporary Investments

[X] Analysis of Taxes Levied and Receivable

[X] Schedules of Long-Term Debt Service Requirements by Years

[X] Changes in Long-Term Bonded Debt

[X] Comparative Schedules of Revenues and Expenditures – General Fund and Debt Service Fund – Five Years

[X] Board Members, Key Personnel, and Consultants

Harris County Water Control and Improvement District No. 109
Schedule of Services and Rates
Year Ended December 31, 2025

1. Services provided by the District

X Retail Water	X Wholesale Water	X Drainage
X Retail Wastewater	X Wholesale Wastewater	___ Irrigation
X 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 ______

2. Retail service providers

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels
Water:	$ 8.00	3,000	N	$ 2.00	3,001 to 7,000
				$ 2.50	7,001 to 12,000
				$ 3.00	12,001 to 20,000
				$ 3.50	20,001 to No Limit
Wastewater:	$ 36.38	1	Y		
Regional water fee:	$ 3.05	1,000	N	$ 3.05	1,001 to No Limit

Does the District employ winter averaging for wastewater usage? Yes ___ No X

Total charges per 10,000 gallons usage (including fees): Water $ 54.00 Wastewater $ 36.38

b. Water and wastewater retail connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC*
Unmetered	-	-	x1.0	-
≤ 3/4"	2,104	2,066	x1.0	2,066
1"	38	37	x2.5	93
1 1/2"	30	28	x5.0	140
2"	46	44	x8.0	352
3"	4	4	x15.0	60
4"	10	10	x25.0	250
6"	13	13	x50.0	650
8"	4	4	x80.0	320
10"	-	-	x115.0	-
Total water	2,249	2,206		3,931
Total wastewater	2,208	2,167	x1.0	2,167

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

Gallons pumped into the system:	424,403
Gallons billed to customers:	391,235
Water accountability ratio (gallons billed/gallons pumped):	92.18%

*"ESFC" means equivalent single-family connections

Harris County Water Control and Improvement District No. 109
Schedule of General Fund Expenditures
Year Ended December 31, 2025

Personnel (including benefits)		$ -
Professional Fees		
Auditing	$ 24,700	
Legal	127,320	
Engineering	176,477	
Financial advisor	-	328,497
Purchased Services for Resale		
Bulk water and wastewater service purchases		1,978,186
Regional Water Authority		429,783
Contracted Services		
Bookkeeping	18,000	
General manager	-	
Appraisal district	-	
Tax collector	-	
Security	18,000	
Other contracted services	233,921	269,921
Utilities		78,553
Repairs and Maintenance		997,797
Administrative Expenditures		
Directors' fees	15,912	
Office supplies	-	
Insurance	62,727	
Other administrative expenditures	133,049	211,688
Capital Outlay		
Capitalized assets	392,145	
Expenditures not capitalized	14,393	406,538
Tap Connection Expenditures		-
Solid Waste Disposal		698,354
Fire Fighting		-
Parks and Recreation		-
Debt Issuance Costs		9,750
Total Expenditures		$ 5,409,067

Harris County Water Control and Improvement District No. 109
Schedule of Temporary Investments
December 31, 2025

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
TexPool	3.82%	Demand	$ 4,449,324	$ -
Debt Service Fund				
TexPool	3.82%	Demand	188,434	-
Capital Projects Fund				
TexPool	3.82%	Demand	2,823,451	-
Totals			$ 7,461,209	$ -

Harris County Water Control and Improvement District No. 109
Analysis of Taxes Levied and Receivable
Year Ended December 31, 2025

		Maintenance Taxes	Debt Service Taxes
Receivable, Beginning of Year		$ 436,380	$ 654,087
Additions and corrections to prior years' taxes		(15,173)	(22,513)
Adjusted Receivable, Beginning of Year		421,207	631,574
2025 Original Tax Levy		777,579	1,105,447
Additions and corrections		57,308	81,472
Adjusted tax levy		834,887	1,186,919
Total to Be Accounted For		1,256,094	1,818,493
Tax collections:	Current year	(130,550)	(185,597)
	Prior years	(391,017)	(595,345)
Receivable, End of Year		$ 734,527	$ 1,037,551
Receivable, by Years			
2025		$ 704,337	$ 1,001,322
2024		6,798	10,346
2023		5,248	7,618
2022		3,019	5,380
2021		3,314	2,700
2020		2,446	2,083
2019		2,232	1,616
2018		1,602	1,160
2017		1,275	1,086
2016		2,987	2,758
2015		673	790
2014		466	505
2013		120	166
2012		10	21
Receivable, End of Year		$ 734,527	$ 1,037,551

Harris County Water Control and Improvement District No. 109
Analysis of Taxes Levied and Receivable
Year Ended December 31, 2025 **(Continued)**

	2025	2024	2023	2022
Property Valuations				
Land	$ 208,540,622	$ 207,474,528	$ 206,547,272	$ 207,033,393
Improvements	683,226,246	679,607,250	682,607,502	595,611,881
Personal property	42,532,040	42,421,594	39,210,703	33,234,341
Exemptions	(55,094,393)	(53,223,796)	(48,898,944)	(45,945,025)
Total Property Valuations	$ 879,204,515	$ 876,279,576	$ 879,466,533	$ 789,934,590
Tax Rates per $100 Valuation				
Debt service tax rates	$ 0.13500	$ 0.13500	$ 0.13500	$ 0.14700
Maintenance tax rates*	0.09496	0.08870	0.09300	0.08250
Total Tax Rates per $100 Valuation	$ 0.22996	$ 0.22370	$ 0.22800	$ 0.22950
Tax Levy	$ 2,021,806	$ 1,960,224	$ 2,005,171	$ 1,812,888
Percent of Taxes Collected to Taxes Levied**	16% ***	99%	99%	99%

*Maximum tax rate approved by voters: $0.50 on November 4, 2003
**Calculated as taxes collected for a tax year divided by taxes levied for that tax year
***2025 taxes were not due until January 31, 2026.

Harris County Water Control and Improvement District No. 109
Schedule of Long-Term Debt Service Requirements by Years
December 31, 2025

	Refunding Series 2017		
Due During Fiscal Years Ending December 31	**Principal Due October 1**	**Interest Due April 1, October 1**	**Total**
2026	$ 400,000	$ 109,800	$ 509,800
2027	395,000	93,800	488,800
2028	395,000	78,000	473,000
2029	390,000	62,200	452,200
2030	390,000	46,600	436,600
2031	390,000	31,000	421,000
2032	385,000	15,400	400,400
Totals	$ 2,745,000	$ 436,800	$ 3,181,800

Harris County Water Control and Improvement District No. 109
Schedule of Long-Term Debt Service Requirements by Years
December 31, 2025 **(Continued)**

	Series 2020		
Due During Fiscal Years Ending December 31	**Principal Due October 1**	**Interest Due April 1, October 1**	**Total**
2026	$ 150,000	$ 54,281	$ 204,281
2027	150,000	51,281	201,281
2028	175,000	48,281	223,281
2029	150,000	44,782	194,782
2030	175,000	41,781	216,781
2031	175,000	38,281	213,281
2032	175,000	34,781	209,781
2033	175,000	31,282	206,282
2034	175,000	27,781	202,781
2035	175,000	24,062	199,062
2036	175,000	20,344	195,344
2037	175,000	16,406	191,406
2038	175,000	12,469	187,469
2039	175,000	8,313	183,313
2040	175,000	4,156	179,156
Totals	$ 2,550,000	$ 458,281	$ 3,008,281

	Series 2022		
Due During Fiscal Years Ending December 31	**Principal Due October 1**	**Interest Due April 1, October 1**	**Total**
2026	$ 200,000	$ 267,737	$ 467,737
2027	200,000	257,737	457,737
2028	200,000	247,737	447,737
2029	250,000	237,737	487,737
2030	250,000	227,738	477,738
2031	275,000	217,738	492,738
2032	300,000	206,738	506,738
2033	325,000	194,738	519,738
2034	325,000	181,738	506,738
2035	325,000	168,738	493,738
2036	325,000	155,738	480,738
2037	325,000	142,331	467,331
2038	350,000	128,925	478,925
2039	350,000	114,050	464,050
2040	360,000	99,175	459,175
2041	465,000	83,875	548,875
2042	475,000	63,531	538,531
2043	475,000	42,750	517,750
2044	475,000	21,375	496,375
Totals	$ 6,250,000	$ 3,060,126	$ 9,310,126

	Annual Requirements For All Series		
Due During Fiscal Years Ending December 31	**Total Principal Due**	**Total Interest Due**	**Total Principal and Interest Due**
2026	$ 750,000	$ 431,818	$ 1,181,818
2027	745,000	402,818	1,147,818
2028	770,000	374,018	1,144,018
2029	790,000	344,719	1,134,719
2030	815,000	316,119	1,131,119
2031	840,000	287,019	1,127,019
2032	860,000	256,919	1,116,919
2033	500,000	226,020	726,020
2034	500,000	209,519	709,519
2035	500,000	192,800	692,800
2036	500,000	176,082	676,082
2037	500,000	158,737	658,737
2038	525,000	141,394	666,394
2039	525,000	122,363	647,363
2040	535,000	103,331	638,331
2041	465,000	83,875	548,875
2042	475,000	63,531	538,531
2043	475,000	42,750	517,750
2044	475,000	21,375	496,375
Totals	$ 11,545,000	$ 3,955,207	$ 15,500,207

Harris County Water Control and Improvement District No. 109
Changes in Long-Term Bonded Debt
Year Ended December 31, 2025

	Bond Issues				
	Refunding Series 2013	Refunding Series 2017	Series 2020	Series 2022	Totals
Interest rates	3.00% to 3.25%	3.00% to 4.00%	2.00% to 3.00%	4.00% to 5.00%	
Dates interest payable	April 1/ October 1	April 1/ October 1	April 1/ October 1	April 1/ October 1	
Maturity dates		October 1, 2026/2032	October 1, 2026/2040	October 1, 2026/2044	
Bonds outstanding, beginning of current year	$ 165,000	$ 2,945,000	$ 2,700,000	$ 6,450,000	$ 12,260,000
Retirements, principal	165,000	200,000	150,000	200,000	715,000
Bonds outstanding, end of current year	$ -	$ 2,745,000	$ 2,550,000	$ 6,250,000	$ 11,545,000
Interest paid during current year	$ 5,363	$ 117,800	$ 58,782	$ 277,737	$ 459,682

Paying agent's name and address

Series 2013 – The Bank of New York Mellon Trust Company, N.A., Houston, Texas
Series 2017 – The Bank of New York Mellon Trust Company, N.A., Houston, Texas
Series 2020 – The Bank of New York Mellon Trust Company, N.A., Houston, Texas
Series 2022 – The Bank of New York Mellon Trust Company, N.A., Houston, Texas

Bond authority	Tax Bonds	Other Bonds	Refunding Bonds
Amount authorized by voters	$ 37,000,000	$ -	$ 37,000,000
Amount issued	$ 17,650,000	$ -	$ 180,000 *
Remaining to be issued	$ 19,350,000	$ -	$ 36,820,000

Debt service fund cash and temporary investment balances as of December 31, 2025:	$ 914,120
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 815,800

*Amount of amortization used.

Harris County Water Control and Improvement District No. 109
Comparative Schedule of Revenues and Expenditures – General Fund
Five Years Ended December 31,

	Amounts				
	2025	2024	2023	2022	2021
General Fund					
Revenues					
Property taxes	$ 758,221	$ 803,795	$ 636,939	$ 910,709	$ 867,442
Sales tax rebates	296,907	322,505	303,114	323,868	303,179
Water service	1,034,133	747,738	672,765	485,322	427,325
Sewer service	1,425,310	1,089,787	1,019,936	957,278	927,057
Regional water fee	1,272,194	1,511,047	1,770,069	2,078,108	1,717,796
Service to other governmental entities	-	114,613	130,488	123,221	114,796
Penalty and interest	130,524	118,428	136,980	140,167	80,212
Tap connection and inspection fees	6,960	6,840	7,380	8,823	9,480
Investment income	220,491	306,242	258,911	48,100	7,839
Other income	-	31,679	-	14,338	979
Capital recovery fee	-	-	-	101,520	-
Total Revenues	5,144,740	5,052,674	4,936,582	5,191,454	4,456,105
Expenditures					
Service operations					
Purchased services	1,978,186	1,678,372	1,941,989	1,879,151	1,479,979
Regional water fee	429,783	976,460	532,413	848,985	833,976
Professional fees	328,497	306,573	298,157	248,295	223,849
Contracted services	269,921	295,848	236,633	275,563	237,577
Garbage service	698,354	662,510	623,967	588,564	561,373
Utilities	78,553	69,517	76,426	85,821	76,105
Repairs and maintenance	997,797	1,103,878	836,565	642,993	527,521
Other expenditures	211,688	188,171	163,965	150,812	149,748
Capital outlay	406,538	88,409	420,120	451,457	337,069
Debt service, debt issuance costs	9,750	-	-	-	-
Total Expenditures	5,409,067	5,369,738	5,130,235	5,171,641	4,427,197
Excess (Deficiency) of Revenues Over Expenditures	(264,327)	(317,064)	(193,653)	19,813	28,908
Other Financing Sources					
Interfund transfers in	-	-	5,402	-	-
Return of capital	22,784	22,784	22,784	22,784	22,784
Insurance proceeds	-	-	-	77,354	-
Total Other Financing Sources	22,784	22,784	28,186	100,138	22,784
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(241,543)	(294,280)	(165,467)	119,951	51,692
Fund Balance, Beginning of Year	4,854,103	5,148,383	5,313,850	5,193,899	5,142,207
Fund Balance, End of Year	$ 4,612,560	$ 4,854,103	$ 5,148,383	$ 5,313,850	$ 5,193,899
Total Active Retail Water Connections	2,206	2,214	2,215	2,225	2,222
Total Active Retail Wastewater Connections	2,167	2,175	2,176	2,186	2,183

Percent of Fund Total Revenues				
2025	2024	2023	2022	2021
14.8 %	15.9 %	12.9 %	17.5 %	19.5 %
5.8	6.4	6.1	6.2	6.8
20.1	14.8	13.6	9.4	9.6
27.7	21.6	20.7	18.4	20.8
24.7	29.9	35.9	40.0	38.5
-	2.3	2.6	2.4	2.6
2.5	2.3	2.8	2.7	1.8
0.1	0.1	0.2	0.2	0.2
4.3	6.1	5.2	0.9	0.2
-	0.6	-	0.3	0.0
-	-	-	2.0	-
100.0	100.0	100.0	100.0	100.0
38.5	33.2	39.3	36.2	33.2
8.3	19.3	10.8	16.3	18.7
6.4	6.1	6.0	4.8	5.0
5.2	5.9	4.8	5.3	5.3
13.6	13.1	12.6	11.3	12.6
1.5	1.4	1.6	1.7	1.7
19.4	21.8	17.0	12.4	11.8
4.1	3.7	3.3	2.9	3.4
7.9	1.8	8.5	8.7	7.6
0.2	-	-	-	-
105.1	106.3	103.9	99.6	99.3
(5.1) %	(6.3) %	(3.9) %	0.4 %	0.7 %

Harris County Water Control and Improvement District No. 109
Comparative Schedule of Revenues and Expenditures – Debt Service Fund
Five Years Ended December 31,

	Amounts				
	2025	2024	2023	2022	2021
Debt Service Fund					
Revenues					
Property taxes	$ 1,154,475	$ 1,163,665	$ 1,132,881	$ 742,115	$ 739,187
Penalty and interest	35,603	53,306	34,996	21,619	20,709
Investment income	25,091	48,259	25,721	5,150	106
Total Revenues	1,215,169	1,265,230	1,193,598	768,884	760,002
Expenditures					
Current					
Professional fees	15,041	23,722	12,302	8,989	7,044
Contracted services	67,705	65,762	64,856	59,899	59,738
Other expenditures	19,595	16,918	14,895	18,530	14,004
Debt service					
Principal retirement	715,000	715,000	505,000	500,000	355,000
Interest and fees	463,581	488,544	467,702	231,906	241,756
Total Expenditures	1,280,922	1,309,946	1,064,755	819,324	677,542
Excess (Deficiency) of Revenues Over Expenditures	(65,753)	(44,716)	128,843	(50,440)	82,460
Other Financing Sources					
General obligation bonds issued	-	-	-	287,738	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(65,753)	(44,716)	128,843	237,298	82,460
Fund Balance, Beginning of Year	617,870	662,586	533,743	296,445	213,985
Fund Balance, End of Year	$ 552,117	$ 617,870	$ 662,586	$ 533,743	$ 296,445

Percent of Fund Total Revenues				
2025	2024	2023	2022	2021
95.0 %	92.0 %	94.9 %	96.5 %	97.3 %
2.9	4.2	2.9	2.8	2.7
2.1	3.8	2.2	0.7	0.0
100.0	100.0	100.0	100.0	100.0
1.2	1.9	1.0	1.2	0.9
5.6	5.2	5.4	7.8	7.9
1.6	1.3	1.3	2.4	1.8
58.8	56.5	42.3	65.0	46.7
38.2	38.6	39.2	30.2	31.8
105.4	103.5	89.2	106.6	89.1
(5.4) %	(3.5) %	10.8 %	(6.6) %	10.9 %

Harris County Water Control and Improvement District No. 109
Board Members, Key Personnel, and Consultants
Year Ended December 31, 2025

Complete District mailing address:	Harris County Water Control and Improvement District No. 109 c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 2400 Houston, TX 77056	
District business telephone number:	713.623.4531	
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):		July 22, 2024
Limit on fees of office that a director may receive during a fiscal year:		$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-End
Allen Schreiber	Elected 05/22–05/26	$ 7,072	$ 836	President
W. Kemp Culbreth, III	Elected 05/24–05/28	6,188	496	Vice President
William Lakin	Elected 05/22–05/26	5,525	3,816	Secretary
Juan Ramon Salinas	Appointed 09/25–05/28	1,989	-	Assistant Secretary
Mike Lyons	Appointed 08/24–05/28	6,188	515	Assistant Secretary
Warren Carroll	Elected 05/24–09/25	3,315	-	Resigned

*Fees are the amounts actually paid to a director during the District's fiscal year from the District's general fund and the special revenue fund.

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Forvis Mazars, LLP	09/09/85	$ 24,700	Auditor-WCID
		3,500	Auditor-STP
Harris Central Appraisal District	Legislative Action	13,905	Appraiser
Inframark, LLC	06/11/12	1,052,831	Operator-WCID
		930,035	Operator-STP
L&S District Services, LLC	11/09/92	22,530	Bookkeeper-WCID
		4,491	Bookkeeper-STP
Masterson Advisors LLC	05/14/18	-	Financial Advisor
Quiddity Engineering, LLC	01/14/02	382,204	Engineer-WCID
		46,983	Engineer-STP
Schwartz, Page & Harding, L.L.P.	08/17/76	119,782	General Counsel-WCID
		2,390	General Counsel-STP
Ted A. Cox, P.C.	04/08/96	15,041	Delinquent Tax Attorney
Wheeler & Associates, Inc.	11/21/77	72,235	Tax Assessor/ Collector

Investment Officer			
Debra R. Loggins	10/14/19	N/A	Bookkeeper

APPENDIX B

Specimen Municipal Bond Insurance Policy

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _________

Risk Premium: $_________
Member Surplus Contribution: $_________
Total Insurance Payment: $_________

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ____

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
1 World Financial Center, 27^{th} floor
200 Liberty Street
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)